FEARLESS - FORWARD LOOKING - FORTNIGHTLY

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FORTNIGHTLY ILLUSTRATED

Railroad Valuations and Railroad Returns

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THE OUTLOOK

Demands on America for Capital—Business Loans—The War Order Situation—The Market Prospect

THE recent sharp decline in the prices of war stocks and the sagging tendency of the general market are not out of line with the views that have been frequently expressed in this column.

There is no question as to the great prosperity of business throughout the country. But while prospective business activity generally means higher prices for stocks, a realized and present prosperity generally means that prices have passed their highest. Moreover, great business activity results in the absorption of correspondingly great quantities of capital and thus gradually pulls the supports out from under the security markets.

Where Our Capital Is Going

IT is now practically two years since the beginning of the great European War. It will be useful to review the demands that have been made on our capital resources during that eventful period.

Previous to the war there was nearly always a moderate flow of money from abroad to this country for investment, enough at any rate to partly counterbalance our interest payments to foreign holders of American securities. With the beginning of the war this movement of capital in our direction very nearly ceased. It is true that individual investors abroad have managed to send moderate amounts here for safe-keeping from time to time, but as compared with the broad movements of the world's capital these deposits have been unimportant.

On the other hand, we have been called upon to take back great quantities of our own securities previously held abroad. It is impossible to estimate these sales with any accuracy, but it is scarcely possible that they should total less than $2,000,000,000 for the two years to date, and the movement is far from being over. We must reckon on being called upon to purchase our stocks and bonds from abroad in a more or less continuous stream as long as the war lasts.

Summary of Capital Demands

IN the meantime we have loaned abroad on foreign securities of various kinds not less than $1,050,000,000, and we have had our own new security issues to take care of. We may summarize the securities that our bankers, investors and speculators have had to absorb during the last two years substantially as follows:

American securities bought from Europe	$2,000,000,000
Foreign loans taken by us	1,050,000,000
American new issues, last half 1914	354,000,000
American issues, 1915	1,435,000,000
American issues, first half 1916	1,335,000,000
Total	$6,174,000,000

That is, demands on our capital for the last two years have been at the average rate of $3,087,000,000 a year. Previous to the war these demands were represented by our own new issues alone—and as a rule we received some help from abroad at that. Our largest issues of new securities in any calendar year were in 1912 at $2,253,000,000, and while there has been a considerable growth since 1912 in our ability to furnish new capital, it is not likely that our legitimate investment demand for securities has yet reached the level of $3,087,000,000 a year. Without doubt a part of these new issues are now being carried by the banks and by speculators who have not paid for them in full out of their own capital.

Increas in the Demand

IN the past nine months issues of new American securities have shown a remarkable increase. Total issues during that period—October, 1915, to June, 1916—were $1,796,000,000, or at the rate of about $2,400,000,000 yearly. That figure represents what might perhaps be called a normal increase over 1912, in view of the fact that foreign investors no longer participate in our flotations. In other words, our own security issues are now up to the normal for periods of prosperity, and in addition to that we are lending heavily abroad and buying back American securities from abroad.

It is, of course, true that our profits in many lines of business have been exceptional, so that our accumulation of capital during the past year has been unusually rapid. It is also true that a better banking system has permitted a considerable enlargement of credit, which may be to some extent legitimately substituted for capital.

But even after allowing for these offsetting considerations, there can be no doubt that the demands on our capital are now beginning to catch up with the supply.

Effect on the Markets

THE effect of this situation on our security markets is fairly obvious. When new securities and foreign demands are absorbing our supply of capital as fast as it accumulates, there is naturally none left to be used in lifting the prices of our old securities as represented by standard stocks and bonds already outstanding. On the contrary, investors may prefer to dispose of some of their older securities in order to participate in new flotations that offer a larger rate of interest. Thus prices on the Stock Exchange begin to show a tendency to crumble.

Business Requirements for Capital

IT should be borne in mind, also, that new security issues, foreign loans and repurchases of our own stocks held abroad, do not comprise all our need for capital. General business is also a competitor in the capital market, its demands being chiefly represented by commercial paper. Since commercial paper is a form of current credit, it is here that credit may be conveniently and legitimately substituted for capital, and largely as a result of the new Federal Bank law this process has been going on steadily for six months or more. The heavy

inflow of gold growing out of our big exports has also contributed in a very important measure to ease of credit.

But it is invariably the case that the demands of business for credit accommodation keep on growing so long as conditions are prosperous and for a time after the crest of prosperity has been passed. When the general plane of prices is maintained or is advancing, business men want more and more credit in order to extend their operations; and when prices begin to decline, the loss in the value of stocks of goods on hand forces many business men to seek still more credit until their stocks of goods can be reduced.

Increase of Loans

FOR this reason we have seen the outstanding loans of all National banks rise 15 per cent. within a year, while the loans of New York banks have increased still more—about one-third. Up to June this did not cause any advance in the rate of interest on commercial paper, because the supply of credit was still larger than the demand; but in July demand began to overtake supply, with the result that the commercial paper rate rose to 4—4½ per cent.

Moreover, the point has now been reached when the general plane of commodity prices has ceased to advance and is showing some tendency to decline. This also will tend to create a greater demand for loans to business men.

Demand for Metals Not So Keen

WHILE nearly all of our factories are working to capacity on orders already in hand, there is a noticeable let-up in new orders. The current bookings of the U. S. Steel Corporation, for example, are at the rate of not more than 80 per cent. of capacity. Premiums for early delivery of steel have disappeared, although quoted prices are still well maintained. Pig iron has fallen $1.00 a ton from the level which was maintained during the first five months of this year.

There is a deadlock in the copper situation. The big producers are sold so far ahead that they are not inclined to make concessions in their prices. On the other hand, the wants of consumers are now provided for at least two months in advance and they have become convinced that in any event they will not have to pay any higher prices than in the past, while there is a chance that by waiting they may be able to buy at a lower level. In the meantime small amounts of copper in second hands are moving at concessions of 3 or 4 cents a pound from the top.

Low prices for either steel or copper are out of the question so long as the demands of the Allies continue, but supply and demand are reaching that condition of equilibrium where bargaining is possible.

The Market Prospect

BOND prices have remained nearly stationary since last November, following their sharp advance in the two months previous, and in view of the situation in regard to supply of capital outlined above, we do not look for much further advance in the general plane of the bond market. On the contrary, we are inclined to expect somewhat higher money rates and moderate concessions in bonds during the approaching fall months. But the broad swing of the bond market over the next half dozen years should be upward.

The prices of the standard stocks, aside from the war order specialties, are still only a few points from the top—with a few notable exceptions. While we believe the general trend of the market is likely to be downward for some time to come, we do not expect any early collapse. It is probable that several minor swings will occur before the fall of prices becomes pronounced; but eventually investors who have taken their profits during the enthusiasm of past months will, we believe, have opportunities to replace their holdings at a lower level.

War Stocks After the War

By ERNEST P. WILLIAMS

(Article 1)

THE probable value of the war stocks after the war is over is one of the most difficult and at the same time one of the most important problems connected with the current stock market. Its difficulty is plainly shown by the erratic fluctuations of the stocks. Investors and speculators have had no end of trouble in deciding what the war stocks are worth. And its importance lies in the fact that thousands of persons are holding these stocks, many of them expecting to realize large profits, others facing losses and hanging on in the hope of getting out even.

The idea that these stocks could be valued on their war earnings died a timely death in 1915. That idea was, in essence, the basis of the big speculation of the latter half of that year. But prices refused to remain on the level then established. The idea was wrong. War profits must be looked upon as a windfall or bonus. The value of the stocks must be based on the probable post-war conditions, plus this war bonus.

It is a complicated problem. We cannot know the duration of the war. In most cases our information as to the amount of the war profits already earned is incomplete and as to future profits estimates are necessarily uncertain.

Nevertheless, let us take the question just as it stands—for that is the way all stock market problems have to be taken—and see just what information is available and how much light it sheds on the future values of these stocks.

To aid in this I have prepared a table—a part of which, covering the stocks here discussed, appears in this issue—showing the average price of each stock in the years before the war began to affect values; the estimated war surplus *above normal earnings* to the end of 1916 expressed in the form of dollars per share of stock; and the total of these two items. This total represents the price at which the stock might be expected to sell after the war, provided that:

(1) The company's business after the war were substantially the same as before the war.

(2) The war profits, above normal earnings, were distributed to the stockholders as a special dividend.

The fact must be emphasized that I am not attempting to predict post-war prices. That would be absurd. Each stock will be subject to a great variety of special influences, to say nothing of the effect of the money rate and of general business conditions.

What I am trying to do is to show the war profits—so far as they can be estimated at this time—in their proper relation to the past price of the stock.

In most cases the war profits will not be distributed as a special dividend, but will be used to strengthen the position of the company in its future business operations. In this form *they will not be worth as much to the price of the stock as they would be if immediately distributed,* because cash in hand is always more highly valued than a future prospect of increased profits.

This is one of the items which must be considered in estimating values, but there is no way of reducing it to figures. The probabilities must be weighed in connection with each company separately.

In connection with the table, it is necessary to review briefly the information available in regard to each stock.

Anaconda

Under normal conditions before the war Anaconda was capable of earning about $6 a share on its stock of $50 par value. Actual earnings were $5.60 in 1913 and $7.20 in 1912. The 1914 earnings were about $2 under normal and 1915 $1 over.

In 1916 its war profits will be big—a total of $50,000,000 is probably a reasonable estimate, or about $21 a share. We may therefore set down its war bonus above normal earnings to the end of 1916 as approximately $14 a share. The average price of the stock from 1909 to 1913 was about 40½ at $25 par, which

equals 81 at the present par of $50. Adding a war bonus of $14 would make the normal post-war value of the stock about 95.

In this case there is little probability of a special war dividend. The dividends have already been raised to an $8 basis. The company has been branching out recently with a view to obtaining a permanent supply of ore and war profits above the present dividend are likely to be used in that way.

American Smelting & Refining

Normal earnings before the war were about 9 per cent. Earnings for 1914 and 1915 together resulted in an excess of about $2 per share above normal, and it looks as though 1916 could hardly fail to bring this extra war profit up to $15.

The average price before the war was about 78, and if we add $15 of war profits we get 93. The company has a big construction program on hand, calling for over $6,000,000 this year. The last semi-annual dividend was the regular 2 per cent. and ½ per cent. extra. It is unlikely that any large extra dividend will be declared, for the company derived no revenue from its Mexican plants last year and cannot expect any this year. On the other hand, these Mexican properties have a big potential value, which encourages a relatively high price for the stock.

WAR EARNINGS AND PRICES

	Average Price, 1909-1913	Estimated War Surplus to Dec., 1916, in Dollars Per Share	Total
Anaconda Copper	81	14	95
American Smelting com..	78	15	93
Allis-Chalmers pref.	41*	22	63
Am. Locomotive com.....	44	20	64
American Can com.......	33†	16	49
American Car & Fdy. com.	54	0	54
American Woolen com...	27	12	39
Am. Hide & Leath. pref..	29	14	43
Baldwin Locomotive com.	50†	20	70
Central Leather com.....	30	23	53
Crucible Steel com.......	15	60	75

Note—The estimated war surplus represents earnings due directly or indirectly to the war, above what might normally be expected for the several stocks under ordinary conditions.

***Based on 1913 and 1914. †Based on 1912 and 1913.**

Allis-Chalmers

The present company was incorporated in 1913 and the normal price of the preferred before the war might perhaps be called a little above 40. Dividends of 6 per cent. annually were begun last January, and arrears amount to 13 per cent. Its earning capacity before the war was in doubt, as the new company was still in process of development—perhaps 4 per cent. would be a reasonable approximation.

In 1915 a little over 6 per cent. was earned on this issue. For the first five months of 1916 earnings were at the rate of 20.5 per cent. annually. The company has good orders ahead. It looks as though extra war earnings of 22 per cent. were pretty well assured. However, 75 per cent. of the company's present orders represent ordinary commercial business and it is largely on the expectation of the steady development of the company that the present price of the stock is based.

American Locomotive

The average price of the common stock before the war was about 44. Its earnings fluctuate widely and have suffered in recent years through the inability of the railroads to buy locomotives on a large scale. A fair average would not be far from 6 per cent.

This company's fiscal year ends June 30. In 1915 the deficit for the common was equal to $13 per share. For 1916 about $32 a share will be shown and the last half of the year will probably bring this up to $45 or $47. There will also be an equity in the undivided profits of subsidiaries. With 1915 $19 a share below normal, it seems fair to figure the company's net surplus from war earnings at $20, with a possibility of $25.

There seems to be no reason why this company should not distribute a substantial cash dividend out of its war profits.

American Can

The normal price of the common before the war was about 33 and earnings on it were 8.9 per cent in 1912, 2.7 in 1913, 3.6 in 1914, and 5.2 in 1915. Its

normal earning capacity might be figured at about 5 per cent. The preferred, on which 7 per cent. dividends are being paid, is still in arrears 8¾ per cent.

It is expected that the company's war business will be cleaned up by Sept. 1 and profits on it are estimated at $9,000,000. As the regular business of the company is excellent, having been indirectly benefited by the war, a total of 30 per cent. for the common in 1916 is not unlikely, or 25 per cent. above normal. Deducting arrears on the preferred, we have about $16 a share left on the common.

This company has, however, shown a noticeable tendency toward growth for several years and now that the dissolution suit is out of the way its general prospects appear to be excellent.

American Car & Foundry

Average earnings on the common before the war were about 4 per cent. annually and the average price 54. Earnings for 1914 were 5.5 per cent., 1915 0.1 and 1916 2.8—the company's fiscal year ending at the unusual date of April 30. The 1916 earnings do not include any war profits, as the war contracts were not completed, but even at that it is hard to understand why the earnings were so small. Undoubtedly the remainder of 1916 will make a better showing, for the earnings of equipment companies are always slow in responding to improved business conditions.

War orders of $7,300,000 are expected to yield approximately $1,500,000 profit, or 5 per cent. on the common, and ordinary business for the remainder of 1916 ought to run at a rate of 6 per cent. for the common, but this excess above normal will hardly do more than make up for the poor earnings of 1915 and 1916. It is therefore hard to find any war surplus for this company.

American Woolen

Normal price before the war about 27 for the common, and normal earnings hardly more than 1 or 2 per cent. The war has brought the company sudden prosperity. Earnings in 1915 were 6.4 per cent. after depreciation. The company is still receiving good foreign and domestic orders and our own Government has recently placed considerable business with it.

While 1916 earnings cannot be closely estimated, it seems not unlikely that they will reach 10 per cent. after depreciation charges have been deducted. This would give about $12 per share that might reasonably be called surplus war profits.

American Hide & Leather

The normal price of the preferred stock before the war was approximately 29, average earnings about 4 per cent. In 1915 earnings were about as much above normal as they were below normal in 1914, so that whatever surplus above 4 per cent. may be earned July 1, 1915, to Dec. 31, 1916, might be counted as war profit. However, the stock is a non-dividend payer and profits are being applied to the retirement of bonded indebtedness. Preferred stockholders think they should have dividends and allege mismanagement, and the matter is now being brought before the courts.

Nearly 10 per cent. was earned for the preferred in the nine months ended last March. As the company's business is holding up well, 20 per cent. may be earned in the 18 months to next December, of which 14 per cent. might be counted as war profits. Arrears of dividends on the preferred are now about 113 per cent.

Baldwin Locomotive

As the company was incorporated in 1911, it had only a short record of earnings before the war. In 1912 and 1913 it appeared to demonstrate an ability to earn 10 per cent. on the stock, but doubt as to the permanence of this record prevented the stock from averaging above 50 in price. In 1914 the deficit for the common was 5¼ per cent., while 7 per cent. was earned in 1915.

The company should benefit to the extent of about $7,500,000 from war orders, including its own orders and the royalties from the Remington and Eddystone companies, for which it erected plants which will be used in its own business after the war. Thus most of the profit will reach the company in the form of increased capacity for future business, and special dividends are unlikely. This $7,500,000 would be 37½ per cent. on the common,

and as the company's regular locomotive business is now good it is probable that 45 per cent. is a reasonable estimate of 1916 earnings.

Since the company fell 15 per cent. behind normal for the common in 1914 and 1915, this would leave 30 per cent., or $20 a share above normal, out of prospective 1916 earnings to represent an actual surplus of war profits above normal. However, the maintenance of good earnings on regular business should add something to the price also.

Central Leather

The war brought the company immediate benefits and about $7 a share of legitimate "war suprlus" above normal was accumulated in 1914 and 1915. The first half of 1916 has been running at a rate of nearly 20 per cent. on the common and while the second half is of course in doubt it seems probable that it may be nearly as good. If so the company would accumulate in all about $23 a share above normal.

Crucible Steel

The common stock averaged about 15 before the war. Earnings had been improving from year to year and had apparently reached a basis of about 8 per cent., but the price did not respond because preferred dividends were in arrears—amounting now to over 26 per cent.—and the company had a big construction program on hand which called for all available extra profits.

The 1916 fiscal year ends August 31, and for the first eight months of it net earnings were $12,800,000. They are understood to be now running above $2,000,000 a month, so that the full year can scarcely show less than $20,000,000, or about 75 per cent. for the common. It is hard to estimate the earnings for the four months to December, but they ought to be as much as $4,000,000 for the common, or another 16 per cent.

It looks as though the company's actual war surplus would be $60 for the common, above normal earnings. If there is a special distribution on the common it will be a small one, in view of the arrears on the preferred and the heavy construction expenses.

(*To be concluded.*)

WELL KNOWN WALL STREET MEN NOW AT THE MEXICAN BORDER

MAJOR CORNELIUS VANDERBILT, INSPECTOR-GENERAL ON GENERAL O'RYAN'S STAFF, AT THE WHEEL OF HIS MILITARY MOTOR-CAR, AND COLONEL CHARLES I. DEBEVOISE, COMMANDER OF THE FIRST REGIMENT CAVALRY, N. G. N. Y.

Photos by Paul Thompson.

Railroad Valuations and Railroad Returns

By EMORY R. JOHNSON, Ph. D., Sc. D.,

Professor of Transportation and Commerce, University of Pennsylvania

FOUR years ago the prediction was made in an editorial in the *Railway Age Gazette* that "The time may soon come when railway managers will become the strongest advocates of valuation." This was a year before the enactment of the Federal law requiring the Interstate Commerce Commission to value the property of the railroad companies and other carriers subject to the Commission. At that time the railroad and financial interests were generally opposed to valuation.

This opposition was not due to belief in the oft-repeated assertion that a valuation, if made, would have no practical effect upon rates. Valuation was opposed rather because it was regarded as an attack upon the railroads, made for the purpose of forcing down rates. Those who managed and owned the railroads believed that the rates were not exorbitant; and they also felt that it would be inadvisable and, as regards many railroads, unfair to make the value of the property the basis of charges. To do so, would be to give too much weight to cost of service and too little consideration to value of service in determining railroad charges. Legal requirements rather than commercial forces would control rates and fares, and the investor's returns would thereby suffer. Such, in brief, were the arguments urged against valuation.

Railroads Ceased to Oppose Valuation

As was prophesied, the railroads have ceased to oppose valuation, and many, though not all companies have come to regard with favor the valuation work being done by the Interstate Commerce Commission. It is true that the railroad companies, through the committee representing them, are earnestly contending for the adoption by the Commission of certain principles and methods of valuation; and there is no disposition on the part of the railroads to delay or make difficult the work of the Commission. Indeed, the carriers are cooperating heartily and generously with the officials of the government.

This change in the attitude of the railroads is due in part to the policy being followed out by the Commission which has called the carriers into frequent conference, formally and informally, and has invited their assistance in the solution of the many difficult problems encountered in appraising the property of the railroads. The main reason for the present favorable view which the carriers now take of valuation is, however, the realization that the result of the valuation will be to show that the railroads of the United States as a whole are not heavily capitalized, that the value will be found to be in excess of capital, the assets greater than the liabilities.

Railroads Conservatively Capitalized?

If the valuation of railroads, as is now confidently expected by the carriers, shall show that the great majority of the railroad companies in the United States have been conservatively capitalized and that only a limited number of companies have issued securities in excess of assets, the railroads and those who hold their securities will derive two important benefits:

The opposition to railroads due to the popular belief that the companies are generally over-capitalized will disappear and legislation will be less hostile and more favorable to the railroads. Moreover, it will be easier for the railroad companies to secure new capital, if the investing public is convinced that most companies have property equal to or in excess of the securities outstanding and proposed.

The present popular distrust of the securities of many railroad companies due to the fear that they have not been conservatively capitalized increases the cost of securing the funds required for betterments and extensions.

The results of the railroad valuations made by several of the States before and since the Federal Government began the task of valuing all the railroad property in the United States have given railway managers and investors confidence that the determination of the present value of railroad property will be helpful rather than harmful. It is generally admitted that the valuations by the several States are apt to be less accurate and generally lower than valuations made by the United States, because the Federal authorities can value the property of each railroad company as a unit and can locate and appraise all items of property unhampered by the problem of distributing values among the several States. If, then, the valuations by the States are not especially unfavorable to the railroads, the valuation by the Interstate Commerce Commission can hardly fail to be satisfactory to the owners and managers of the railroads.

Recent Valuations

During recent years ten States, mainly in the West, have made a valuation of all the railroads in their respective borders and most of the valuations have been made for rate-making purposes. Several other States have valued individual railroads. The results of these valuations are indicative, although not conclusive, as to the effects which investors may expect.

The five representative Western States, Washington, South Dakota, Minnesota, Wisconsin and Michigan, may be taken for purposes of illustration. In these five States as a whole, the estimated cost of reproducing the railroads new was somewhat in excess of the capitalization assignable to the States, in spite of the fact that in two of the States, Wisconsin and notably South Dakota, the valuation was below capitalization. In Washington the estimated cost of reproduction new and the estimated "present value" and the "market value" of the railroad property were found to be in excess of the capitalization; while in Minnesota, which made the most elaborate valuation, the cost of reproduction new was placed at $52,430 per mile, the present value at $45,799 per mile, and the capitalization at $44,206 per mile.

A low valuation in a State like South Dakota is to be expected. The State has no large cities and the railroads that traverse the State have their large expensive terminals at Chicago, Seattle and other places far from South Dakota. A valuation in such a State as Illinois, if the method of distributing capitalization among States according to mileage ratios were followed, would show results the opposite of those obtained in South Dakota. In Chicago there are 2,600 miles of track with 12 acres of land to a mile at right of way. Parts of the Chicago terminal areas have cost $1,000,000 an acre, and the railroads in Chicago have already spent about $100,000,000 on track elevation. In the valuation which the Interstate Commerce Commission is now making the values of the terminals will be credited to the railroad systems as units and such a showing as resulted from the valuation in South Dakota would be avoided.

The comparison of estimated cost new with capitalization does not consider the depreciation which would be deducted by most commissioners in determining the value of a railroad for rate-making purposes; but the figures above cited refer only to the value of the physical property of the carriers.

Situation Confronting Railroad Owners

The practical situation confronting the owners and managers of railroad properties as regards physical valuation and its probable effects upon investments is (1) that many States have already valued the railroads with reference to rate-making and that the United States Government has about half completed the task of valuing all the railroads in the country; (2) that the United States Supreme Court has held that the carriers are entitled to,

and inferentially may be limited to, a reasonable return upon the fair value of the property used and useful in serving the public; and (3) that there is an increasing disposition on the part of the commissions and the courts to give consideration to the value of railroad property in deciding upon rates and fares.

Condition, Not a Theory

It is a condition and not a theory that confronts investors in railroad securities; but, fortunately, an analysis of the situation indicates that the condition is one that promises to be favorable. The valuations that have been made by the States give no grounds for pessimism, while the policy and methods, which the Interstate Commerce Commission is working out, after considering with the carriers the many vital technical questions involved, point distinctly to a valuation that will include all elements of property and will show that most railroad companies have at the present time property equalling or exceeding the volume of the securities they have issued. It is only those railroad companies whose financial management has been irresponsible and reckless, and whose history is well known not only to investors in railroads but also to the general public, that need to be apprehensive as to the results of the Interstate Commerce Commission's valuations.

It is a matter of common knowledge that the railroad companies whose management has been conservative feel certain that the value of the properties as determined by the Interstate Commerce Commission will not only be in excess of their capitalization, but will establish a foundation upon which to base a defense of existing rate schedules and a claim for an advance in rates that are relatively low. In this connection, the action taken by the Pennsylvania Railroad Company a few months since in defending the proposed increase in certain passenger fares in New Jersey, was significant.

In defense of the proposed increased fares in New Jersey the Pennsylvania Railroad submitted a valuation of the property used in performing the services for which the charges in question were made. The complainants attacked the valuation submitted by the railroad company on the ground that the valuation of the company's property for taxation in New Jersey was lower than the value of the property submitted as a basis for rate making. The company met this argument of the complainants by requesting the taxing authorities of the State to increase the assessment to the amount of the company's estimate of the value of its property. This course was taken by the railroad company because its officials fully expect that the Interstate Commerce Commission's valuation of its property in New Jersey will equal or exceed the value which the company has placed upon the property. The company, for rate-making purposes, has thus anticipated an expected increase in the government's estimate of the value of its property.

Investors and Federal Valuation

This brief survey of the relation of railroad valuations to railroad returns seems to justify the conclusion that investors have good reason to welcome the Federal valuation of railroads. The consequences of valuation will not be a reduction of the rates and earnings of the railroads. On the contrary, the result may be the prevention of reductions that might otherwise be made. Valuation was bound to come, after the decision of the Supreme Court in Smyth vs. Ames and other subsequent cases; and, in so far as the application of the official valuation of railroads is found to be practicable in deciding upon the reasonableness of rates and fares, the holders of railroad securities will, in the long run, gain more than they will lose. A valuation of the railroads of the United States as is now being made by the Interstate Commerce Commission, will simplify the problem of satisfactorily adjusting rates and fares with reference to equitable earnings by the carriers and with regard to just and dependable returns to investors.

MONEY-BANKING-BUSINESS

What Thinking Men Are Saying

About Financial, Investment and Business Conditions

"Our Supreme Financial Position"—Albert Breton

WE may presume also that notwithstanding the conclusion of peace, Germany and Austria will be more or less forcibly inclined to consider the United States as the only big and rich nation through which financial readjustments may be easily effected and through which the clearings of their international trade balances will be most practical, said Albert Breton, vice-president Guaranty Trust Co. of New York, in an address delivered before the Bankers Ad. Association of Pittsburgh.

"The American people should realize with gratification that after the war such an enormous balance in their favor will constitute a real gold reserve at their command, and will prevent for a long time to come the outflow of the yellow metal, even if in resuming our normal exchanges with Europe the total imports of the United States should happen momentarily to surpass the total exports.

"It may be taken as certain that a few years will be required by the foreign nations engaged in the present war to consolidate and pay up in full their respective debts to this country, and that more than one renewal will have to be granted on terms naturally based on the rates and influenced by the conditions then prevailing on our local money markets. Such facts should be sufficient to convince, in a large measure, American bankers of the important part the United States will continue to play in international finance even after the present war."

COLORADO BREAKING OUT ALL OVER WITH NEW MINING WEALTH.

From The Great Divide.

"Europe Faces Bankruptcy"—F. W. Hirst

FRANCIS W. HIRST, the prominent financial writer, in his valedictory resigning the editorship of the London *Economist* after a tenure of nine years, says:

"In my view the financial fabric of Western Europe is in imminent peril, and in a few more months it will no longer be possible to disguise the bankrupt condition of several great nations. Civilization, as we have known it, and representative institutions are doomed, unless, through the exertions of individuals, the rights, without which an Englishman, at any rate, will hardly care to live, are speedily restored.

"That the negotiation of peace is a difficult task, I admit. That the attainment of an honorable and lasting settlement is beyond the region of competent diplomacy, I deny. That peace is desired by all belligerent nations I feel certain. And the fact that the circulation of the *Economist* has touched its height during the last few weeks may serve to indicate the feeling of our business men."

Sec. Redfield Sees Continued Prosperity

IN a long article in *The Annalist* Secretary of Commerce Redfield summarizes the prospect for America's trade after the war. He is of the opinion that the ending of the great war will mean considerable readjustments, and said in part:

My own impression is, and I give it merely as an impression, that the curve of our exports as to value will show recession at the close of the war partly because of the stoppage of war orders and possibly more because of

the reduction of prices, and that after a few months this will so react that the curve will gradually move upward again to a point at least equal to its present status.

I do not feel sufficiently in touch with the financial world to speak advisedly concerning the possibility of inflation, but I doubt whether in any excessive sense it will arise through the operation of the Federal Reserve system. We are, of course, richer than we ever were before. We have paid our debts and we are saving money. If under these circumstances we get an attack of megalomania and chase rainbows, develop wildcat schemes, and generally lose our financial grip, we shall have to pay the price. I see no immediate signs of such processes.

Finally, let us not forget that we made good an export trade before the war equal to $2,500,000,000 per annum and that in this trade the factor of fully finished manufactures was the largest and most rapidly expanding part, and this at a time when our competitors were

SOONER OR LATER (USUALLY SOONER).
From Puck.

stronger by far than they are today. We forget the great good-will we have established throughout the earth the last year or two, and also the extent to which our competitors have lost the good-will they once enjoyed. Let us not fail to take account of our added facilities and our growing fiscal power.

In conclusion, let me repeat, what I have elsewhere said, that, though there seems nothing that threatens the continuance of a general prosperity, there must be readjustments from present conditions to future ones, the stress of which will depend upon the wisdom with which the present is utilized.

Are we sufficient unto ourselves? Have we yet come to believe in our heart of hearts that America can?

"Banks Will Make More Money"—J. B. Forgan

James B. Forgan says:

"During first half of the current year conditions have been quite satisfactory in practically all lines of business.

"The principal exception has been banking. Current rates for the banks' commodity—money—have ruled so low that profits in the business, although its volume has been larger than ever before, have been so small that the best earning commercial banks have found it all they could do to earn enough to pay usual dividends without encroaching on previously accumulated profits.

"There are, however, quite decided indications of a change in money market conditions. Demand for credit at the centers has for some time been steadily improving. The banks through the country are finding a better local demand for funds, and are materially reducing surplus balances with correspondents at the centers. The cash reserves carried by banks in Chicago and other large western financial centers are now approaching the reduced percentages required under the federal reserve system, while under the old system they would be well below legal requirements.

"Due to these conditions, the current discount rate has been increased 1% during the past month. The prospects, are, therefore, that general business will continue good, and that banks will have a much more favorable opportunity for earning profits during second half of the year than during the first half."

Light Trading in June

THE volume of transactions on the New York Stock Exchange during the month of June aggregated 12,690,415 shares, against 16,277,467 shares in May and 11,116,567 shares in June, 1915, observes the *Journal of Commerce*. The par value of bonds sold during the past month amounted to $85,943,500, as compared with $96,169,800 in May and $57,825,000 in June of last year. The aggregate of stock transactions for the first half of 1916 is thus brought up to 82,815,675 shares, against 62,074,065 shares sold during the corresponding period of 1915. Bond sales for the first six months of 1916 amounted to $530,831,050, as compared with $394,556,700 last year.

SHARES OF STOCK.

	Month of June	From Jan. 1
1916	12,690,415	82,815,675
1915	11,116,567	62,074,065
1914	3,966,735	37,732,360
1913	9,564,046	45,860,058
1912	7,062,575	68,723,954
1911	10,380,150	54,072,871
1910	16,473,446	97,989,985
1909	20,290,354	99,036,697
1908	9,342,997	84,305,760
1907	9,739,859	116,464,642
1906	21,201,187	149,464,286
1905	10,401,760	135,506,075
1904	4,878,792	50,528,608
1903	14,972,281	81,644,303
1902	7,765,977	87,500,248
1901	19,686,629	175,665,931
1900	11,062,215	69,716,069

Truth About Munition Making

IN the July issue of *The Forum* the managing editor of one of the "biggest and best" mechanical publications in the country summarizes his observations gained in a six monhs' tour of the United States, during which he visited every munition- plant of importance. He concludes that our munition making for Europe has;

Increased munition factories from 6 to 1,000, with many thousand other shops making small parts and supplies. Enabled us to speed up in turning out three-inch shells from one in three hours to one every fifteen minutes. Given employment to half a million unskilled mechanics. Enabled hundreds of men who ordinarily made no more than $2 a day to make as high as $33 a day. Sent up the price of high-speed steel from 60 cents to $4 per pound. Necessitated the manufacture of millions of dollars' worth of "single purpose" machines which, after the war, will be "scrapped." Caused hundreds of men to establish big plants which will be sold as junk after the war. Caused such a scarcity of forgings that many concerns bore one-pound shells from solid bars—and with 40 per cent. profit. Necessitated an increase of wages in non-munition making machine shops in order to hold the men. Enabled one firm to use more than 500 unsalable steel coffins for cases in which to ship ammunition. Proved one of the best possible helps for our own preparedness.

London Removes Minimum Prices

WITH regard to the removal of all remaining minimum prices on the London Stock Exchange on the 3d inst., announcement of which was made by the secretary to the Stock Exchange Com-

"TALK ABOUT PROSPERITY—LOOK AT THAT."
From Leslie's.

mittee on June 23, the London *Financial News* of the 23d ult. said:

The authorities who have the final word in the matter are understood at last to have reached the mental stage where they are willing to permit the abandonment of the remaining minimum quotations, which has been so frequently advocated in these columns since the beginning of the year. The recent strength of the investment markets, particularly those which lately enjoyed emancipation from the minima, should have convinced the most reluctant that no weakness would be occasioned by freeing the Stock Exchange from this last remaining fetter. Many investment quotations are too high on account of the shortage of stock, and an addition to supplies should be welcomed by investors as it will doubtless by dealers. The total amount outstanding of securities which still have minimum quotations is over £755,000,000. They include India Government stocks, Irish Land, Local Loans, Transvaal Loan, and Turkish, Egyptian, Greek, and Mauritius guaranteed loans; United Kngdom Corporation, County, and Public Boards stocks, and Indian Railway stocks.

The first week in July is considered a good time for the final removal of the minimum prices, one reason being that the expansion of the list of available securities will thus comfortably fit in with the re-investment of interest and dividends payable on July 1. In point of fact, there is no insurmountable reason why the passing of the minima should not be effected immediately, but the postponement until after the turn of the half-year will meet the desires of a few financial experts who find a curious solace in fictitious quotations for securities in which they are interested.

Half Year in Stocks

A COMPARISON of the present level of stock values with those at end of 1915 shows that market prices generally are under the level prevailing six months ago. Rails and coppers as a rule have not yielded much ground, but industrial shares, especially those of the "war order" variety, are selling considerably lower, undoubtedly reflecting in part at least, the shifting of investments.

Dow, Jones & Co. present below the price range of the more prominent stocks on the New York and Boston exchanges for 1916 to date and the 1915 year; also the present market with net change since December 31, 1915:

	—1916—		—1915—			
	High.	Low.	High.	Low.	June 30.	Change.
RAILS						
Atchison	108½	100¼	111¼	92½	105	— 3¼
Baltimore & Ohio	96	82⅞	96	63¾	88⅞	— 7
Canadian Pacific	183¾	162½xd	194	138	178¾	— 4¼
C. M. & St. P.	102½	91	101⅛	77¾	98	— 2⅞
C. R. I. & Pac.	24½	15½	38⅜	10½	22⅛	+ 4⅛
Erie	43⅝	32	45⅝	19⅞	36¼	— 7¾
New York Central	111½	100¼	110½	81½	104½	— 5⅞
New Haven	77⅞	57	89	43	62¼	— 15¼
Norfolk & Western	137⅝	114	122⅝	99½	131	+ 9½
Pennsylvania	59¾	55¼	61½	51 13/16	57⅞	— 1⅜
Reading	110¾	75⅛	85⅝	69⅜	97¾	+ 13¾
Southern Pacific	104⅛	94¼	104⅛	81¼	97⅝	— 6⅝
Union Pacific	143⅜	129¾	141½	115¾	138¼	— 1⅛
20 rails average	109.08	99.11	108.28	87.85	105.95	— 2.10
INDUSTRIALS						
Am. Beet Sugar	94½	61¾	72⅞	33¼	88	+ 18
American Can	65⅜	50¼	68½	25	52¾	— 8½
Am. Car & Fdy	78	53¼	98	40	55	— 23¼
Am. Locomotive	83¾	60¾	74¾	19	68	— 1
Atl., Gulf & W. I. common	69¾	27	36	4	66¼	+ 33¼
Baldwin Lolo	118⅝	74	154½	26⅝	74½	— 43⅜
Bethlehem Steel	550	415	600	46¼	441½	— 18
Crucible Steel	99½	52¾	109⅞	18¼	74¾	+ 1¾
General Motors	560	405	558	82	470B	— 30
Int. Mer. Mar. pfd. ctfs	100¾	61¼	77½	55½	91½	+ 14⅜
Maxwell Motor	89¾	57¼	92	15¼	82⅛	+ 6⅛
Mexican Petroleum	129⅝	88⅝	124½	51	96¼	— 26¼
Studebaker	167	121	195	35¾	137¼	— 30
United Fruit	169½	136⅛	163	139	159	+ 11
United Shoe	63½	50	65	48	51	..
U. S. Ind. Alcohol	170½	126¾	131¾	15	133⅞	+ 4⅜
U. S. Steel	89	79¾xd	89½	38	85¾	— 3⅛
Westinghouse	71⅝	53⅜	74⅞	32	58xd	— 11
12 industrials average	129.42	109.92	134.00	73.81	121.23	— 8.71
MINING.						
Am. Smelting	113⅜	88½	108⅞	56	94	— 14⅛
Am. Zinc	97⅝	38⅜	72¼	16¾	*39	+ 5
Anaconda	92⅜	77	91⅝	49½	82¼	— 9
Butte & Superior	105¼	65⅛	80	35¾	67⅜	— 5⅛
Calumet & Arizona	75¼	66	78¾	51½	68	— 4¼
Calumet & Hecla	586	520	630	350	530	— 38
Chino	60	47⅝	57⅜	32¾	49¾	— 5¾
Copper Range	68¾	58	65	30	60⅛	— 4⅜
Inspiration	50⅞	42⅝	47½	16⅝	50⅛	+ 4⅛
Mohawk	103½	89	98	46¼	98	..
North Butte	32	21	38⅞	22¼	22¼	— 9⅝
Osceola	101½	82	93½	64	91	+ 2½
Tennessee	66½	33	70	25½	35¼	— 28¼
U. S. Smelting	80⅝	54⅛	54	20	68¾	+ 15⅛
Utah Copper	86¾	75	81¾	48½	77¼	— 4¼
20 coppers average	60.96	53.85	57.45	33.11	54.47	— 3.53

*Ex-stock-dividend.

What the Experts Say

National City Bank.—Stock prices have also declined during the month. The average price of 20 railroads, as compiled by the *Wall Street Journal,* was 105.45 on the 24th, compared with 107.06 on the 1st, and of 12 industrials 121.20 on the 24th, compared with 122.96 on the 1st. The prices do not represent wider fluctuations than have taken place in individual issues. Daily sales up to the 24th have averaged 489,090 shares, compared with 677,990 shares in May, 521,000 shares in April, and 423,300 shares in June, 1915. Railroad stocks still hold a favorable position, due to continued good returns, but the failure of the companies to reach an agreement with the employes in regard to wage advances has instilled an element of caution among traders in this class of securities. The commercial position of the United States has become so well grounded in increasing cash resources and production of commodities required at present by other nations, that influences not of a fundamental character cannot have a permanent effect on security prices.

Jas. H. Oliphant & Co. — Mystery as a potential market factor has been monopolized in the past months by the war order stocks and their allies, more or less to the exclusion of all others. But it was not always thus. Years ago a coterie of big market operators played the role of Columbus and his followers. They were the discoverers of mystery. And their explorations carried them into the treasure houses of railroads. These men were students of mob psychology and they made it worth their while in dollars and cents to know marketwise the influence upon the public mind of such phrases as hidden-equities, mired-in-money, rolling-in-riches, wallowing-in-wealth, et cetera ad infinitum. Latterly the extent to which the railroads gave publicity to their financial reports robbed the market operators of this valuable asset. Publicity was so disarming that creating an atmosphere of mystery for the common run of standard railroads became a lost art.

Paine, Webber & Co.—The improved appearance of our international relations, with the disposal or postponement of aggressive action in regard to Mexico has imparted a distinctly better tone to the security market and the progress of the Allies abroad has seemed to add to a better feeling in financial circles. Some of the prominent munition shares have been under pressure, on rather widespread intimations that profits will not prove to be so satisfactory as had been anticipated and on the assumption that important further orders from abroad will not be forthcoming. While it will doubtless be well to discriminate in making purchases, it is quite probable that underrating of war profits will occur in certain instances and that better appreciation of additions to asset values will be followed by good recoveries from recessions. On the whole, the outlook is encouraging for the investor. We feel that the price movements will prove quite satisfactory to those who give due attention to the merits of individual issues and who take advantage of moderate concessions in prices as these may occur.

Oscar Alexander & Co.—The pessimist is easily finding excuses for going short of the market, but the optimist seems to be more justified in going long. The speculative "boom" has been passed. Unfavorable conditions are being "washed" out in the liquidation of speculative accounts and the feeling prevails that the bargain counter is far more attractive now than it has been for many months.

MUST WE LEAVE IT TO EUROPEAN DOCTORS TO OPERATE?
From Chicago Tribune.

Hayden, Stone & Co.—The market is every day becoming a more discriminating affair. It is quite evident now that recent excessive quotations were the result of buying on misinformation. Many statements given as fact had actually little or no foundation in fact. There must always be a certain amount of imagination in speculation, but there is a vast difference between imagination and misstatement. In the future there will be more of a disposition to await official figures. It will be a market more of fact; less of fiction. This is not saying that new values have not, in quite a number of instances, been created and it is one of the most interesting features of the market to know how persistently some of these new values are maintained in market quotations, but the point that will have to be decided in each instance will be, whether a permanent increase in earning power has been created, or whether it was simply a case of a temporary bonus through excessive and, therefore, necessarily temporary, price of product. If the latter be the case, it will then be pertinent to determine whether or not the temporary inflation of earnings has been given too great a market valuation.

The Business Situation

Further Fall in Commodity Prices—Bank of England Rate Now 6 Per Cent—Big Merchandise Exports and Gold Imports

THE declining tendency of commodity prices, hown by the fall in *Bradstreet's Index* has been predicted in this April of 11.755, has been predicted in this magazine since May. The drop has not yet been severe, as the index is still above all previous records with the exception of April, May and June of this year. But it is almost certain that it marks a definite turn in the situation and that prices will show a generally declining tendency for a year or so. These movements are cyclical and are almost never reversed when once they make a definite start.

The slight decline in iron production and U. S. Steel's unfilled orders also probably marks the beginning of a new tendency.

General business activity is probably now at its high water mark or near it. In fact, production in many lines has reached the capacity of plants, so that it could scarcely increase further without considerable new construction; and the demand for capital for war purposes, direct and indirect, is so great that new construction is not likely to be very great at present.

The raising of the Bank of England discount rate to 6 per cent. is only one indication of the growing scarcity of capital. The immediate reason for raising the rate was the fear that somewhat higher money rates on this side might lead to withdrawal by our bankers of cash balances now being left in English banks to be loaned there. Our commercial paper rate has crawled up from 3 last February to 4 and a higher rate is in prospect this coming fall.

There is no falling off in our phenomenal exports but they represent for the most part past business. New war orders are small. Our total gold imports since the present movement began May 11 are now about $189,000,000, and this movement will probably prevent any further rise in money rates until the fall crop movement is well under way, according to the best posted financial observers.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks.	Per cent. Cash to Deposits New York Clearing-house Banks.*	Per cent. Loans to Deposits New York Clearing-house Banks.*	Br'dst's Index of Commodity Pcs.	English Index of Commodity Pcs.
July, 1916	4	5⅝	13.6	97.8	11.53	....
June, 1916	3⅝	5	14.1	96.2	11.69	4,319
May, 1916	3¼	5	14.2	95.5	11.75	4,190
July, 1915	3⅝	5	19.3	94.5	9.86	3,250
July, 1914	4½	3⅝	26.0	97.0	8.65	2,549
July, 1913	6	4⅞	26.6	99.2	8.95	2,669
July, 1912	4½	3½	25.6	97.8	9.11	2,705

* Affected by the new Federal Reserve System.

	Total Bank Clearings of U.S. (Millions)	Bank Clearings of U. S. Excluding N. Y. City (Millions)	Balance of Gold Movements —Imports or Exports (Thousands)	Balance of Trade —Imports or Exports (Thousands)	Building Operations, Twenty Cities (Thous'ds)	Business Failures, Total Liabilities (Thous'ds)
June, 1916	20,599	8,045	......	....	......	9,960
May, 1916	20,657	8,096	Imp. 15,403	Exp. 242,695	67,326	18,122
June, 1915	14,117	6,092	Imp. 49,519	Exp. 110,852	40,353	18,819
June, 1914	13,948	6,103	Exp. 44,290	Imp. 457	51,929	58,233
June, 1913	13,709	5,955	Imp. 2,817	Exp. 32,159	48,978	17,392
June, 1912	13,628	5,667	Exp. 1,560	Exp. 7,203	57,545	15,816

	Wholesale Price of Pig Iron	Production of Iron (Tons) (Thous'ds).	U. S. Steel Co Unfilled Tonnage (Thous'ds).†	Price of Electro. Copper. Cents.	Crop Conditions: Winter Wheat	Crop Conditions: Spring Wheat	Crop Conditions: Corn	Crop Conditions: Cotton	Babson's Bond Average.
July, 1916 ...	16.90	.....	.....	26.8	75.7	89.0	82.0	....	92.2
June, 1916 ...	17.53	3,212	9,640	27.5	73.2	88.2	....	81.1	92.3
May, 1916 ...	17.90	3,351	9,937	29.8	82.4	....	....	77.5	91.5
July, 1915 ...	12.71	2,381*	4,678*	18.8	84.4	93.3	81.2	80.3*	87.5

* June. † Last day of mo.

The Machinery of Wall Street

Why It Exists, How It Works and What It Accomplishes

VIII. How Business Is Done on the Stock Exchange (Continued)

By G. C. SELDEN

THE quotations made on the bigger exchange are posted on the Consolidated and are the basis for trading there. Naturally this is not pleasing to the New York Stock Exchange, but the smaller institution has succeeded in making a place for itself and at present the business on it is about one-tenth that of the big exchange. It is, however, differently distributed. The business in some of the established speculative favorites, like U. S. Steel, Anaconda, Smelting, or Reading, is usually more than one-tenth that of the primary market, while some of the inactive issues are rarely dealt in.

Most of the business is in lots of less than 50 shares, on which the commission is the same as that of the big exchange. On 50 shares or more the commission is only 1/16 each way, instead of ⅛. Settlements are made weekly instead of daily, so that the customer who closes his trade in the same week it is made escapes the payment of interest. The market for odd lots of the active stocks is about the same as on the big exchange, but for larger quantities or in the less active stocks execution is sometimes erratic, owing to the relative narrowness of the market.

Government of the Exchange

The final authority on the New York Stock Exchange is the Governing Committee, which consists of a president and a treasurer elected annually and 40 members, 10 of whom are chosen each year. The governors are divided into various sub-committees—on arrangements, admissions, arbitration, commissions, constitution, finance, law, the stock list, the Clearing-House, etc.

In 1913, by an amendment to the Constitution, a committee on Business Conduct was created "to keep in touch with the course of prices listed on the Exchange, with the view of determining when improper transactions are being resorted to," and having the power "to examine into the dealings of any members, with respect to the above subjects." This is one of the steps taken in recent years to raise the standards of the business. One object of this committee is to prevent the execution of "matched orders," a subject which will be discussed in another chapter.

IX. Inside the Broker's Office

STOCK brokerage as a business originated in England in the latter part of the seventeenth century, when the East India Company attracted a great deal of public attention. In the United States the business can scarcely be identified before 1790, although there were doubtless many individual cases before that date in which one person acted for another in the purchase or sale of stocks.

Before a sale of stock can be consummated the seller must find a buyer or the buyer find a seller. It would usually be a long and troublesome job for the buyer or seller to do this personally, so the work is turned over to some agent who is already in touch with many buyers and sellers. This agent is the broker, and for convenience the brokers have an exchange where they meet to compare buying and selling orders and adjust prices. Thus the Stock Exchange.

Each broker must have his place of business. A small broker, who does business principally for himself and for a few clients, may need only desk-

room, arranging with another broker, who has all the necessary machinery, to "clear" his transactions for him. But the active broker has to surround himself with clerks and bookkeepers and provide facilities for his customers to watch the market and place their orders promptly. This is the brokerage house as the public knows it.

Such a house has one or more members on the floor of the Exchange, to whom orders are telephoned and from whom reports of executions of the orders are received. It has one or more office partners, who oversee the work of the office and consult with customers. It has a "cage," containing the order clerk, cashier, margin clerk, delivery clerk, bookkeepers, etc. It has messenger boys to deliver stock certificates and checks to other brokers as may be necessary.

Most such houses provide a "customers' room" where quotations from all exchanges of which the house is a member are posted on a blackboard as fast as they come out on the tickers, and the principal newspapers and news services are kept on file. Some houses, however, even though doing a large business, do not like the customers' room and abolish it, doing business with their clients over the telephone, telegraph, by letter, or by personal consultation. This is because an open customers' room is apt to attract a great many "chair warmers," who do very little business but make a nuisance of themselves by foolish conversation. Such traders may repel a better class of business men, and yet it is a disagreeable task to invite them to take their accounts elsewhere. Brokers are always glad to have strangers drop into their offices to glance over the maret, but they naturally object to having their customers' rooms turned into lounging places for idlers.

The most important part of a broker's business usually comes in over the telephone and telegraph, although many mail orders are also received from out of town. Novices are sometimes surprised that the broker is willing to accept orders by telephone, since this evidently gives a dishonest client the opportunity to repudiate the order if the market goes against him by asserting that the order was misunderstood. But the average broker is a good judge of human nature and rarely permits a customer to get on his books who would be capable of such trickery.

The Handling of Orders

An account is opened with a broker by the depositing of a check. Theoretically some sort of introduction is supposed to be required, but a fair-sized check is usually a good introduction—although if the check was from an unknown person the broker might naturally wish to collect it before executing orders.

In this way the broker acts in the double capacity of banker or "pledgee," and agent in the execution of orders. Formerly many houses called themselves "Bankers and Brokers" in recognition of this double function, but that term became so widely used by bucketshops and non-members of the exchanges that it has been practically dropped by the better class of brokers.

The account having been opened, the customer is free to place orders. The house will, in nearly all cases, suggest suitable investments if desired, but in doing this the broker accepts no responsibility. He merely gives his client the benefit of his judgment without in any sense guaranteeing it to be correct.

It is to be regretted that the broker is not usually as ready to tell his customer when to sell as when to buy. He nearly always leaves the customer to select his own point for taking a profit or a loss, as the case may be. The principal reason for this is that the customer is usually much disgusted if his stock advances further after the broker has recommended that he take profits. That is unreasonable but it seems to be human nature. Also, the broker seems to feel that he has done all that can be expected of him if he has recommended a purchase that turns out well. So long as the cus-

tomer has a profit in his open trade, the broker sees nothing to worry about.

This is unquestionably a wrong viewpoint. The proper closing of a trade is just as important as the making of it, and it is all the more necessary that the broker should watch this end of the transaction because the average customer is much more ready to buy than to sell.

The number of shares of any stock that the broker will be willing to buy or sell for the customer on his deposit depends entirely on the character of the stock selected. On many active stocks, having a good market, the broker will be satisfied with a deposit of $10 a share—though he will generally recommend that a larger margin be carried. On other stocks $20, $30 or $50 may be necessary to protect the broker from a possible loss, and still others he will not buy unless they are paid for in full.

If the customer's deposit is equal to $10 a share on the stock bought, a decline of ten "points" will evidently exhaust the deposit or margin and the customer must then either deposit more margin or sell the stock. Inexperienced traders often think that the broker might "carry" them a little below this "exhaust point," but the broker who attempts to do it is headed for certain financial ruin and is unsafe to do business with. There is only one safe way to handle a brokerage business and that is on a strictly cash basis.

Margins

The broker will always "call" his customer for more margin when the price of the stocks held begins to approach the limits of the customer's deposit—in fact, he is required by law to do that. If the customer does not respond or if, in a very active market, he cannot be reached in time, the broker has the right to protect himself by closing out the trade; and to cover any possible legal complications on this point, the broker usually prints somewhere on his stationery the statement that all orders will be executed in accordance with customs of the New York Stock Exchange, or he may be even more explicit and say that he reserves the right to close trades without notice when margins are running out. The safe plan, of course, is for the customer to keep in his broker's hands ample funds to cover all contingencies.

The customer is the legal owner of all stocks he buys. The broker acts as his agent. If the broker faithfully carries out his customer's instructions, with such a degree of care and skill as may reasonably be expected of any expert and reliable broker, and in accordance with the customs of the exchange on which the order is executed, he has acquitted himself of all further responsibility. The result is "up to" the customer.

When the customer deposits only a part of the value of stocks bought, the broker lends him the rest. Then the broker, as a rule, takes the stock certificates to his bank and borrows as much as he can on them. Thus if the stock is bought for $80 a share, the customer's deposit may represent $10 of that, the broker may lend him another $10 a share, and the broker may borrow from his bank on the certificate as security the remaining $60, which in turn he also lends to the customer.

This is called rehypothecation. The customer hypothecates his stock with the broker and the broker rehypothecates it to the bank. A recent New York law requires that the broker shall not rehypothecate to the bank for more than the amount owed on the stock by the customer unless by the customer's express consent. It is therefore necessary for every active brokerage house to get the customer's consent to the rehypothecation of all stocks, regardless of the amount the broker is loaning the customer on them; for it would be a very difficult and laborious task for the broker to continually watch all his loans so as to avoid borrowing in any particular case more than he has loaned the customer. The customer readily gives his consent, since his interests are not affected.

The buyer of a stock is entitled to a

certificate or certificates for the number of shares bought, but not to any particular certificate since all the certificates are alike, each representing merely a certain share of the whole company. Hence the broker is not obliged to get back from his bank the exact certificate on which he originally borrowed money for his customer's use.

A customer will sometimes request his broker to use a certain amount of discretion in executing an order—for example, to buy at a certain price if the market looks right to the broker when that price is reached. The broker will hardly ever do this unless as personal favor to a friend, and even then he almost always has occasion to regret having been too accommodating, for the friend is pretty sure to feel some dissatisfaction—uttered or unexpressed, but too frequently uttered—with the broker's judgment. Most exchange members have an absolute rule that no discretionary orders will be accepted, and under any ordinary circumstances the house that accepts them will be regarded with suspicion.

Interest

The broker charges his customer interest for money loaned him just as a bank would. The rate of interest is usually an average of the rates the broker is paying for his various call and time loans, with a trifle added for the cost of handling. Many brokers always charge 6 per cent.—or more if the current market rate is higher—on odd lots of stocks, because the trouble of handling a 10 share lot is just as great as that of handling 1,000 shares. A smaller rate of interest, is credited to the customer on money lying idle in the broker's hands.

Since statements of account are usually rendered to the customer monthly, the interest charge, whether on the debit or the credit side, is compounded monthly. Hence when the customer borrows heavily from his broker the interest paid becomes a somewhat important item—another reason in favor of paying for stocks in full or keeping large margins.

The commission on stocks, as nearly everybody knows, is 1/8 for buying and 1/8 for selling. On the selling side there are taxes of two cents a share. Also, the execution of buying and selling orders at the same amount is usually 1/8 or 1/4 apart—since the "market" consists of a bid price and asked price. The buyer, for example, pays 81 1/4 while the seller gets only 81 1/8. Hence it may be said that the trader who is trying to make a profit really starts with a loss of not less than $39.50, to which must be added interest when he is operating on the long side.

The short-seller does not have to pay interest, but if his stock sells ex-dividend while he is short of it he is charged with the amount of the dividend. This often puzzles the novice, but it is evident that the buyer of the stock must get his dividend from some source, and if it is a short sale the only possible source of the dividend is the short-seller.

(*To be continued.*)

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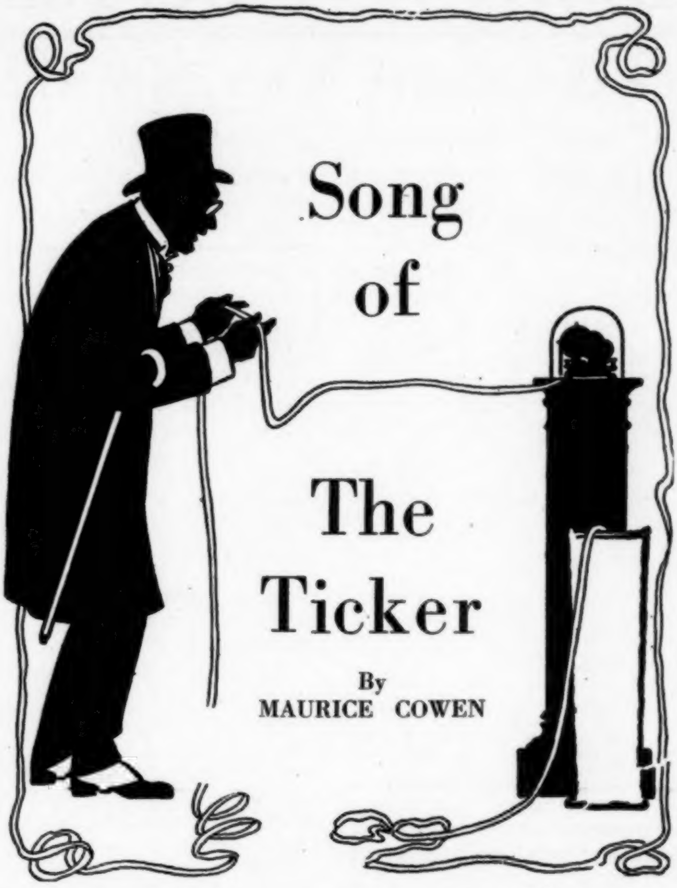


Song of The Ticker

By
MAURICE COWEN

I am the ticker, Fortune's tool,
  Hailed King in every mart.
Before my throne both sage and fool
  Prostrate with anxious heart.
Meek subjects, countless millions, call
  Each day to seek my fold,
True worshippers of Mammon all,
  In quest of ringing gold.
The lawyer shrewd, with cunning eyes,
  Appealing for more pelf,
The doctor grave, with mien wise,
  Prescribing for himself;
The artisan of humble wage
  Would haste his day of rest,
The lovesick youth who would engage,
  Seeks means to build his nest.

On me the ticker, cold and cruel—
  All hang with bated breath—
Each tick bespeaks a sage or fool,
  Sometimes it means a death.
Tho' many purses I have rent
  And many tears have shed,
Still many a joy oft have I sent
  To hearts that were nigh dead.
Not all my subjects love me well,
  Few know my whim or wile,
Yet not to all do I deny
  The sun of Fortune's smile.
The winners of my bounty bow
  Before my iron rules—
Foresight, Nerve and Knowing How—
  The rest are only fools.

RAILWAYS AND INDUSTRIALS

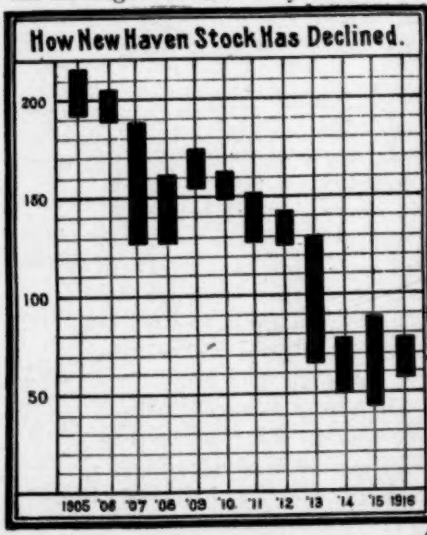
What's the Matter With New Haven?

Why the Stock So Persistently Declines—Enormous Losses on "Outside" Investments—Value of the Stock—Its Market Prospects

By ARCHIE U. ROSENTHAL

WHAT is the matter with the New Haven? That is a question feverishly put by many "investors for profit" who bought the stock on its drop from around 89 to below 60. Their deductions are based, and on the surface it would seem correctly, upon the enormous amount of business that the company has been handling since the war began.

Has not the traffic been greater than in years? Is not the freight business, the amount of tonnage carried, greater than has ever before been experienced in the history of the road? Were not the $27,000,000 worth of notes easily arranged for when they fell due on May the first, showing a strong financial condition? And, lastly, do not the recent monthly statements show great improvement in net earnings? On a cursory examination of the road every factor points to a strong position. Why, then, you ask, does the stock not only refuse to go up, but continues to seek new low levels under the least pressure. If the technical position were alone responsible there is no reason why this stock should not rally in proportion to the other rails on their recent bulge.



What, then, is the matter with the New Haven?

Let us determine the true value of the stock based upon its assets and earning power.

History

Before an attempt to analyze the value of the stock is undertaken it would be well to present a few facts of the company's history. The New Haven company was incorporated in 1892 in Connecticut and Massachusetts and later in Rhode Island. The company owns or controls various electric light, gas companies, street railroad companies, steamship lines (through the New England Navigation Company) and other properties throughout the New England States and New York State. It also has large holdings in the New York, Ontario & Western Company, the Boston Railroad Holding Company (which controls the Boston & Maine R. R.); Rutland preferred, New York-Connecticut Railway Company, the Milbrook Company, the New York, W. & Boston Railway and several others.

According to a decree of the courts in the latter part of 1914 the New Haven company was ordered to divest itself of its holdings in the Boston & Maine, including subsidiary lines; the New England Investment and Security Company's

ESTIMATED LOSS ON SECURITIES OWNED BY NEW HAVEN
TABLE I

Name of Company.	Stock (Amt. of Shares)	Bonds	Par Value	Book Value	Allowance	Per Share	Remarks	Loss to New Haven Co.
The Vermont Company..	$6,500	......	$650,000	$571,164	$10 or	$6,500	Stock Valueless	506,164
Shore Line Electric R. R. Co. of New York.....	......	......	......	117,000	50% or	58,500	Stock Valueless	58,500
New England Investment Security Co.	7,000	......	700,000	905,783	$5 or	35,000		870,783
	......	$243,000	243,000	243,000	50% or	121,000	Stock Valueless	121,500
								$992,283
The Connecticut Co.....	400,000	......	40,000,000	40,000,000	$40 or	16,000,000	Earnings only 3.43%	24,000,000
Eastern Steamship Corporation	15,000 pfd.	2,500,000	2,000,000	1,762,500	10% or	200,000	Company in Hands of Receiver	1,562,500
	20,000 Com.		2,500,000	2,437,500	70% or	1,750,000		687,500
								$2,250,000
The Rhode Island Co...	96,855	......	9,685,500	24,352,366	$40 or	3,874,200	Earnings 3.80%. Deficit Last Fiscal Year.	20,478,166
New York & Stamford Railway Co.	5,000	......	500,000	610,643	$10 or	50,000	Company cannot pay the interest on bonds out of earnings.	560,643
	......	687,000	687,000	599,880	70% or	419,916		79,964
								$639,607
The Providence & Danielson Railway Co. and Seaview Railroad Co..	9,132	......						
	7,000	....	2,813,200	1,266,378	70% or	886,464	....	379,914
		1,200,000						
The Berkshire Street Ry. Co.	53,981	......	5,398,100	6,371,395	$10 or	53,810	Stock Valueless	$6,317,585
The Boston Railroad Holding Co.	244,939 Pfd.	......	27,600,400	27,600,400	$25 pfd.	$4,547,355	Company controls Boston & Maine. In bad financial condition. $28,000 in hands of public on which New Haven guarantees 4% cumulative dividends and $100 per share in case of liquidation.	21,635,828
	31,065 Com.				$20 com.			
					Subsidiary Lines..	1,417,217		
						$5,964,572		

The securities mentioned in this table are in the hands of the trustees and must be sold by them.

gold notes; the Connecticut company; the Rhode Island company; the Berkshire Street Railway Company; the Eastern Steamship Corporation; the Vermont company; the Westchester Street Railway Company; the New York & Stamford Railway Company; the Shore Line Electric Railroad Company, and the Boston Railroad Holding Company. In December, 1915, the company sold \$2,500,000 4½% equipment trust certificates. In April, 1915, the stockholders voted to cancel \$22,899,100 of the treasury stock. The dividends, which were 2% quarterly since 1895, were reduced to 1½% in June, 1913, and passed December, 1913. Since that time nothing has been paid.

prices that they will bring on a forced sale (which will have to take place before July 1, 1919) will challenge belief when these prices are compared with the amounts actually paid for said securities.

The securities may be divided into two classes, some of which must be sold prior to or during 1917, and the remainder before July 1, 1919. They are all in the hands of the trustees, who are instructed to realize as much as possible on same.

Table 1 gives a list of the companies whose securities are owned by the New Haven company, their book value, approximate worth and the extent of loss to the parent company according to the best estimate which are available.

From Table 2 we can now condense our deductions into the composite Table 3:

TABLE 2

Total cost of securities to the New Haven Company	**\$121,886,976**
Total amount likely to be realized by sale of these securities	**43,596,712**
or a *loss of 65% on the investment.*	
Total cost of New Haven investments	**219,754,862**
Total cost of New Haven securities to be sold	**121,886,976**
Cost of securities to remain unsold	**\$97,867,886**
Deducting 50% of \$97,867,886 and the intrinsic value of securities not to be sold is	**48,933,943**
Add to this amount securities to be sold	**43,596,712**
Estimated value of New Haven securities	**\$92,530,655**
upon which sum 4.25% was turned into the New Haven treasury.	

The capital stock (\$100 par value) is unlimited. At the present time there is \$157,117,900 outstanding. The total bonds and debentures outstanding, not including the short term notes, amounts to \$214,280,100.

With a working knowledge of the company's history we are better able to undertake our task of determining the true value of the New Haven stock.

"Outside" Investments

In the first place the company has allowed \$219,754,862 for investment in "outside companies" which does not include all the investments made from 1903 to 1913 in the securities of other steam railroads. It must be remembered from the start that the \$219,754,862 represents the book value or exactly what was charged off on the books of the New Haven company for these securities, and that not only are they not worth what was paid for them, but the

Losses on "Outside" Investments

It may be clearly seen from the foregoing statement of investments what a stupendous loss these outside securities were to the parent company.

According to the estimate of the Interstate Commerce Commission the losses to the New Haven company on these investments were put at between \$60,000,000 and \$90,000,000. This estimate is far too conservative considering the earning power of the companies as a basis for determining what the stock will bring.

These losses, of course, seriously impair the value of the New Haven company's stock and are important factors in determining its market value. But that is not all. Let us now turn to other facts which have as much, if not more influence on the present

status of the stock of the company.

The second important item to consider is the increase in capital. Since 1903 the capital obligations have increased $364,402,700 par value. The increase in book value amounted to $393,071,491, which total is found by adding the amount of all extra investments to the cost of betterment of the road.

From this amount $137,224,207, the estimated losses on "outside securities," should be deducted.

According to Chairman Elliot of the board of the New Haven company, $25,000,000 to $30,000,000 will have to be expended in the near future for much needed improvements. This sum is very conservative, as very little money has been appropriated from the treasury for depreciation. (In proportion to the amounts annually appropriated for this purpose by all well managed roads.)

There are several minor obligations which will have to be met in 1916 and 1917. The notes amounting to $27,000,000 (mentioned above) fell due May 1, 1916, and the notes of the New England Navigation (of which company the New Haven owns all the stock, and is therefore liable for the notes) fall due in 1917. The total obligations, including several smaller sums, will approximate $50,000,000. The financing of this sum will cost the parent company at least $1,500,000.

TABLE 3

Investments in Outside Properties

Cost of New Haven Securities	**$219,754,862**
Deducting estimated value of these securities	**92,530,655**
Loss on investments	**$127,224,207**
Loss on other outside investments (approximately)	**10,000,000**
Total estimated grand loss on all investments	**$137,224,207**

The above increase in capital must finally be deducted from the market price of the stock to arrive at its true value.

Let us now investigate the cost of operation to determine whether a deficit from this source may be added to the above losses:

On comparing the statement in Table 4 with those for the last three years, we find that the "maintenance charges" are approximately 20 per cent. larger, that "fixed charges" increased 27 per cent., while "other income" decreased 43 per cent. These drastic changes, it must be remembered, occurred in a space of only three years.

The decrease in "Other Income" is easily accounted for. The outside companies owned by the New Haven system and from which companies the parent company was receiving dividends, were "milked" until the strain was too great and the said dividends necessarily had to be discontinued or materially reduced.

There is not much possibility in reducing the "fixed charges" in the near future. The great bonded obligation must be reduced before this is possible. The percentage of fixed charges to the gross earnings is about 34 per cent., according to the 1915 statement, which amount has nearly doubled in ten years.

From 1904-1915 inclusive the total deficit in operating expenses exceeded the total surplus by $2,371,804. This, of course, should be added to losses on investments.

The above operating figures clearly indicate the increasing unfavorable financial condition of the company.

Value of Stock

After a close survey of the above details we may now arrive at some definite conclusion as to the value of the New Haven stock, what its market price should be and the possibility in the near future of a sufficient increase in earning power as to enable it to resume dividends.

We have seen that the loss from outside investments totals approximately $137,224,207. Further, that the accumulated deficit amounts to $2,371,804. We are now allowing $25,000,000 for improvements (the minimum sum suggested by Chairman Elliot in his report and which we may consider very conservative). To this we must add about $1,500,000 or the amount to be paid in commissions for the financing of the company's obligations and we arrive at the enormous total of $166,096,011. This total must now be deducted from the amount paid for the stock to arrive at some definite idea as to the assets back

of the company's capital stock.

Assuming that up until this time $252,177,687 was paid for the stock including premiums, we find that after deducting the grand total of $166,096,011 we have $86,081,676 as assets behind the stock which would give it an approximate value, disregarding all other factors, of about $55.00 per share.

According to the present figures the New Haven company is only able to earn about 2 per cent. on its outstanding stock. Assuming that this rate will be earned for the next five years, which, after all, is rather unreasonable since it is highly improbable that the fixed charges can be kept down to such a low figure in view of the extensive contemplated improvements, the price of the stock even around $60 per share seems *altogether too high*. Even if a rate, say of 5 per cent., was earned the stockholders would stand a very poor chance of receiving dividends on their stock in the near future owing to the precarious state of the company's finances. Chairman Elliot pointed out at various times that the road is struggling under tremendous difficulties and with such an extremely capable, efficient and conservative management as that which now directs the company's affairs we may reasonably expect that no dividends will be declared until some permanent means of financing the company's obligations is provided.

TABLE 4

STATEMENT FOR 1915.

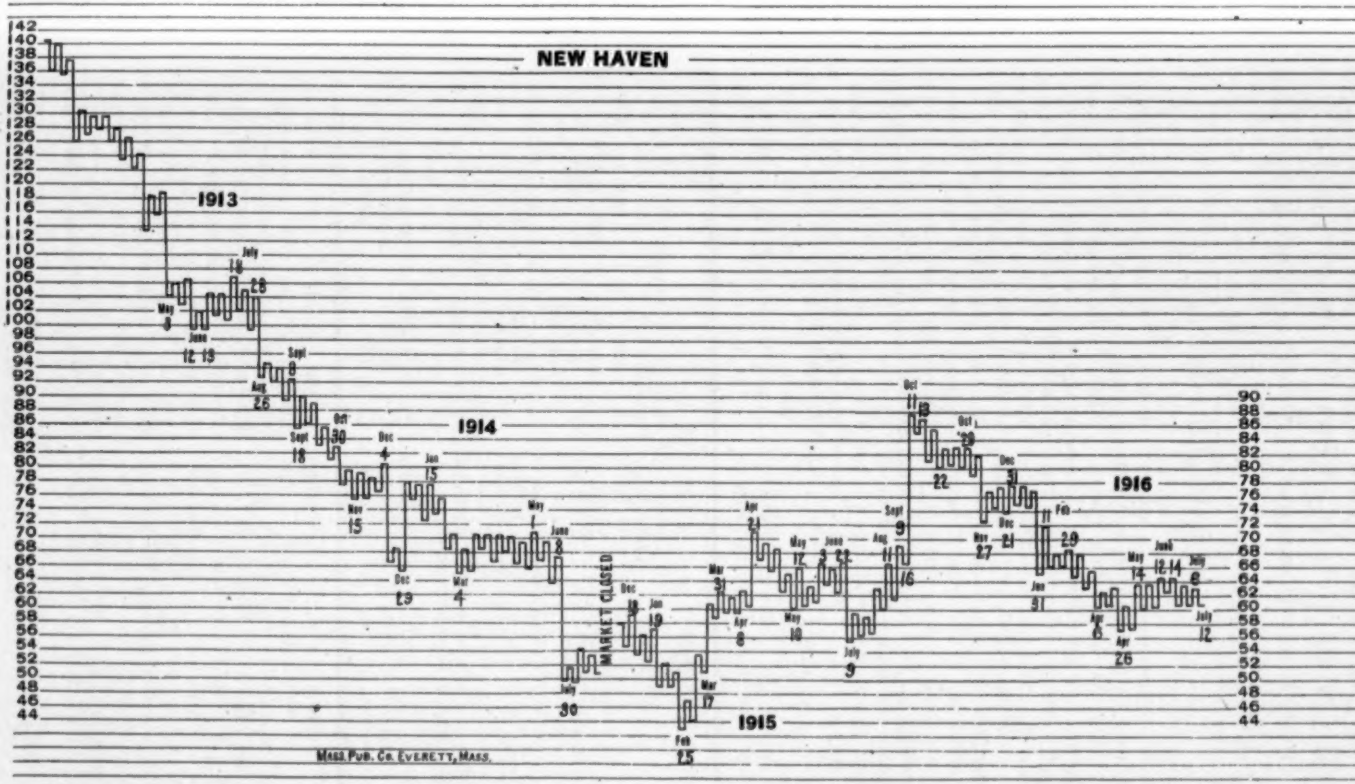
Gross earnings	**$65,372,264**
Operating expenses	**44,126,624**
Maintenance of way	**17,509,571**
Other income	**55,855,051**
Fixed charges	**22,049,161**
Surplus over fixed charges	**2,307,971**

You may still point skeptically to the increase in net earnings reported in recent monthly statements. These net earnings do not take into account the losses sustained by the long standing embargo which, we can be reasonably sure would so appreciably reduce that item as to make it a negligible factor. The New Haven company must pay the regular rate charged by the American Railroad Association for the cars tied up on other lines by the embargo. This item, too, is larger than is popularly believed since the company has 50 per cent. more cars on the line than is generally used during normal business with half the facilities for unloading them.

Finally, as a last blow upon a sadly weakened position, the company is facing a railroad strike of large proportions which is daily nearing a climax. If the company refuses to grant the demands of their employees nothing short of insolvency would result at the present moment. Since the company will do everything in its power to avert such a calamity the only alternative offered is to grant the demands for an increase in pay. The extra outlay incurred by these additional expenses will make serious inroads into the net earnings.

Conclusion

In conclusion we might add that although market conditions may cause the stock to advance slightly from its present levels, assets earning power and the proximity of dividends (and to all appearances they seem very far away) will sooner or later bring about an adjustment of values thereby forcing the stock to seek the level to which it belongs. This adjustment may not occur in a week, a month or even several months but every stock sells eventually for what it is worth and we see no reason why the stock of the New Haven company should prove an exception. The stock has slowly declined without any substantial rally from around 89 which price it touched on the excited bulge in 1915 to its present price around 62. With only one slight upturn from around 68 to 72 in February, 1916, it has steadily sagged, noticeably under pressure, to around $62 per share where it stands at the present writing. Whether another upturn may occur now in view of the increased activity of the railroads would be difficult to determine but unless present conditions are radically altered in the near future we do not expect much higher prices for the stock and are rather inclined to believe that a further decline may be reasonably expected.



MARKET FLUCTUATIONS OF COMMON STOCK

In previous issues the following charts have been published: Bethlehem Steel, U. S. Steel common, Reading, Republic Steel, Colorado Fuel & Iron, Chicago, Milwaukee & St. Paul, Copper Prices for thirty years, American Car & Foundry, Baldwin Locomotive, Utah Copper, Consolidated Gas, Erie common, Beet Sugar common, Crucible Steel, American Cotton Oil, American Sugar common, Maxwell Motor common, Missouri Pacific, Butte & Superior and panoramas of railroad and industrial stocks.

United Cigar Stores Co. of America

How George Whelan Made Dollars Grow Where Nickels Had Grown Before—Secrets of the "United's" Success —Investment Position of Preferred Stock and Outlook for the Common

By BARNARD POWERS

NO more absorbing account of the rise of a great industrial corporation is to be found than that of the inception and development of the United Cigar Stores Company of America. It is a tale of a personality, ideas, ingenuity, a constant study of psychology and an energy which combined all into a result summed up in the big, glittering word Success. It is the story of the rise of George J. Whelan from a poor up-state unknown, into a multimillionaire and a Wall Street power always to be reckoned with.

George J. Whelan

Twenty years ago George J. Whelan was without a nickel, speaking figuratively. At any event the nickels he then owned are now represented by thousands of dollars. He owned a small cigar store in Syracuse, one of hundreds of such stores as you may see today which struggle along and make a more or less precarious living for their proprietors. A mere living had no interest for Whelan and he saw that in order to build his little business into a big business he had got to do things better than the "other fellow." So he started in doing things better. He studied his public, found out what things appealed to them, and what things they disliked. No detail was too small for lengthy and careful consideration. He found that the general public disliked dirt and dinginess, hence the Whelan store, which soon became the Whelan "stores," was a model of cleanliness. He found that the human animal is particularly susceptible to the adroit flattery of politeness, and no purchaser, therefore, left a Whelan counter after making a purchase without the customary and pleasing "Thank you" from the salesman. Today the United Cigar Stores spends $40,000 a year to keep its clerks invariably courteous. He found that the public responds to striking signs and colors, and the advertising and displays of his stores developed that idea to the highest degree. Nothing was undertaken without the most careful study and experimentation, and that attention to little things paid, was proved by the fact that in a short time the Whelan stores led their competitors by a long margin.

TABLE 1
Earnings United Cigar Store Co. of America
(Year Ended December 31)

	1915	1914	1913	1912
Net Income	$2,404,471	$2,241,783	$2,171,516	$1,879,361
Preferred Dividends	316,890	316,890	316,890	79,151
Common Dividends	1,765,530	1,629,720	1,493,910	....
Surplus	$322,051	$295,173	$360,716	$1,800,210
Previous Surplus	1,743,441	1,448,268	1,087,552	....
Total Surplus	$2,065,492	$1,743,441	$1,448,268	$1,800,210
Reorganization Exp. & Readjustments	....	....	....	712,659
P. & L. Surplus	$2,065,492	$1,743,441	$1,448,268	$1,087,552
Earned on Preferred	53.11%	49.52%	47.97%	41.51%
Earned on Common	7.69%	7.09%	6.83%	5.75%

When the United Cigar Stores Co.

took over the business of C. A. Whelan and Whelan Brothers in 1915, these concerns operated thirty cigar stores in twenty cities in northern and western New York and did a gross business of $600,000 annually. On an original capital of $20,000, C. A. Whelan & Co. had paid $292,000 in twenty years, or at the rate of 76 per cent. annually.

Syracuses and vicinities are never large enough for men of the Whelan stamp. The lure of the big city with its concentrated buying power beckoned irresistibly and in 1901 George Whelan came to New York. E. A. Nettleton, a Syracuse shoe manufacturer who had put up most of the capital for Whelan to start in business, refused to back Whelan in the new venture, doubtless to Nettleton's ultimate great regret, and so Whelan went to James B. Duke, then president of the American Tobacco, and obtained Duke's support. The new company was made a subsidiary of the American Tobacco Co., which it remained until the Supreme Court broke up the American Tobacco Co. in 1912, when the Tobacco Co. stockholders received their pro rata proportion of the United Cigar Co. stock. Let us examine the new concern, the United Cigar Stores Co. of America, which emerged from that dissolution, as it is today.

United Cigar Stores Co. of America

The capital of the company consists of an authorized issue of $5,000,000 7 per cent. cumulative preferred stock, $4,527,000 outstanding, par $100, and $30,000,000 common, $27,162,000 outstanding. There is no funded debt. The old corporation of the United Cigar Stores Co. had $3,000,000 debentures, which were acquired at par and interest by the new and present company, out of the proceeds of the sale of preferred stock. The company was incorporated in 1912 to acquire the securities of the Corporation of the United Cigar Stores, whose dissolution in 1912 has already been mentioned. The stockholders of the old company received 300 per cent. in new common stock and were allowed to subscribe at par for 50 per cent. new preferred stock, amounting to $4,527,000, the $3,600,000 50-year 6 per cent. bonds of the Corporation of the United Cigar Stores being acquired from the proceeds.

In April of 1914 the United Profit Sharing Corporation was formed to take over the profit sharing department and coupon business of the United Cigar Stores Co. of America. The stockholders of the United Cigar Stores Co. were allowed to subscribe for the new stock at par ($1) at the rate of one share for each share held. For a while the management of the United Profit Sharing Co. entertained extensive development plans, but widespread opposition on the part of retailers throughout the country and hostile legislation has cramped its original purposes. It is still a going concern, however, and is reported to have approximately $1 in quick assets for each share outstanding.

The company whose title heads this analysis owns all the $900,000 common

TABLE 2

United Cigar Stores Co. of America
Condensed Balance Sheets

Assets:			
Stocks and bonds in other companies	$29,995,341	$29,995,341	$29,995,341
Cash and demand loans (secured)	2,284,932	2,133,587	1,828,004
Investments	529,071	99,968	....
Advances to subsidiary companies	967,000	1,230,000	1,340,000
Accounts receivable	12,290	6,669	9,328
Total assets	33,788,636	33,465,597	33,172,673
Liabilities:			
Capital stock, preferred	4,527,000	4,527,000	4,527,000
Capital stock, common	27,162,000	27,162,000	27,162,000
Accounts payable, etc.	34,144	33,155	35,405
Total liabilities	31,723,144	31,722,155	31,724,405
Surplus December 31	2,065,492	1,743,441	1,448,268

and $750,000 preferred stock and all of the $2,850,000 6 per cent. debentures of the United Cigar Stores Co. of New Jersey, and also owns or controls the United Cigar Stores Co. of Illinois, United Cigar Stores Co. of Rhode Island, United Cigar Stores Co. Agency, United Merchants' Realty & Improvement Co., and United Stores Realty Co. The several subsidiaries operate more than 800 retail stores throughout the country.

Earnings

In March of 1914 it was voted to change the par value of both classes of stock from $100 to $10 by exchanging each $100 par for ten shares with $10 par, but in April of the current year the directors voted to change the par back to $100 once more. Herewith are shown the high and low prices of both classes of stock from 1913 to date:

Year	Preferred H.—L.	Common H.—L.
*1916	120—115	100—90
1916	11⅞—11	10—9
1915	12¼—11⅛	11¾—8¾
1914	11¾—11⅛	9¾—8⅝

* Stock quoted on $100 par basis.

Table 1 shows that the earnings on the preferred stock are so much in excess of dividend requirements that the issue enjoys a high investment rating and, as shown in the table of stock prices, is not subject to wide price fluctuations. In spite of the 300 per cent. stock dividend in 1912, the common was able to show better than 5 per cent. earned that year, and earnings since available for common dividends have steadily though not spectacularly increased. Common dividends were inaugurated in February, 1913, at the rate of 5 per cent., and at the time the initial quarterly dividend was declared there was an extra dividend of ½ per cent. From May, 1913, to November, 1914, the common paid 5 per cent., then the rate was increased to 6 per cent., and in August of 1915 to 7 per cent.

Table 2 gives a summary of the company's balance sheets for the last three years. A comparison of current assets with current liabilities shows that for a corporation of this sort the working capital is more than ordinarily large. Working capital as of December 31 for each of the last four years stood as follows: 1912, $2,781,000 round figures; 1913, $3,142,000; 1914, $3,437,000; and 1915, $3,759,000. Note the cash and demand loans in the last statement of $2,284,932.

Future for the Company

When Mr. Whelan announced about a year ago that he intended to retire from active business, the thought entered the minds of the uninformed that without Whelan, the creator and driving energy of the company, at the helm, the wheels of progress were likely to slow down. But those who know Whelan know that his retirement was likely to be as much of a "retirement" as that of the late E. H. Harriman or J. P. Morgan. Active business has been Whelan's life-work and absorbing passion. He could no more wholly retire than he could cease breathing. In addition, like all successful creators of successful enterprises, Mr. Whelan has the faculty of choosing able lieutenants, and the affairs of the United Cigar Stores Co. of America are in strong hands. The company is deeply intrenched, its policies are definitely and firmly fixed and its hold on its field is so secure that it is hard to conceive of anything that would be likely to seriously check its progress.

Position of Securities

The investment position of the preferred stock has already been referred to early in this article. Its dividend margin of safety is so ample that it is entitled to the highest consideration as a preferred stock investment.

Now that the par of the common has been made $100, it is less accessible to the small investor, and its lack of market spectacularity keeps off speculative interests to a considerable extent. As a long pull speculative-investment the issue has merit. The panic-proof nature of the tobacco and the ability exhibited by this company to steadily increase its sales and profits from year to year, would appear to warrant good profits for one who is in a position to purchase the stock outright and hold it until the growing business is reflected in a substantial market-wise increment in the stock's price.

Railroad and Industrial Digest

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Market commitments should not be made without further corroboration.—*Editor.*

RAILROADS

Baltimore & Ohio.—For year ended June 30, B. & O. earned approximately 7.29% on its common stock. The increase in maintenance charges for this period was equal to about 8% on the common stock. Maintenance absorbed over 33% of gross.

Boston & Albany.—Net earnings of this road for May were $591,000 as against $394,000 in May, 1915, and surplus after all charges was $191,000 as against $36,000 the previous year.

Chicago & Alton.—This company for the year ended June 30, it is estimated, earned about $3,500,000, this being just about sufficient to cover interest and other charges. This is the first time in five years the company has shown enough from current earnings to pay all its annual obligations.

Chicago & Great Western.—For the third week in June this road earned $330,167 gross, against $321,734 for same period of 1915, an increase of $8,433. For the 11 mos. and 3 weeks of fiscal year it earned gross of $14,729,217 against $13,634,550 for 1915, an increase of $1,094,667.

Great Northern.—Gross earnings for June were $7,042,384, an increase of $1,848,761. The 12 mos. gross was $81,142,398, an increase of $14,009,095.

Louisville & Nashville.—Declared semi-annual dividend of 3½%, restoring stock to 7% basis. The dividend was reduced in December, 1914, from 3½% semi-annually to 2½%. Dividend is payable Aug. 10 to stock of record July 20.

Missouri Pacific.—Under agreement made by Missouri Pacific bankers with Geo. J. Gould, it is believed the Gould estate's holdings of Missouri Pacific 6% notes will be deposited for extension and the other securities of the company held by the estate will be deposited under the reorganization plan. This removes only outstanding substantial opposition to plan of reorganization. Under the terms of agreement the control of Denver & Rio Grande which has hitherto been lodged in the Missouri Pacific will be turned over to the Goulds.

Nashville, Chattanooga & St. Louis.—Declared a 3½% semi-annual cash dividend payable Aug. 1. Books close July 21, reopen Aug. 2. Previous dividend was 3%, declared Jan. 11.

New York, New Haven & Hartford—June gross earnings estimated at $7,010,000, which would exceed previous high record of $6,866,000 in May. It is expected that gross for the year will be 16½% ahead of gross in 1915 fiscal year. Net earnings in 1916 fiscal year estimated at about $10,000,000, or 6½% on the outstanding stock. These earnings will have provided in part for retirement of about $6,000,000 of New Haven's floating debt during this year.

New York Central.—May net earnings after taxes were $6,188,872, an increase of $2,079,184 over same month in 1915. This road has sold all the stock owned by it in the New York, Chicago & St. Louis Railroad to Cleveland interests for $8,500,000, of which $2,000,000 was paid in cash and the remainder in notes.

Norfolk & Western.—Gross for 11 mos. ended May 31 was $52,316,700, a gain of 36% over same period last year. Surplus after charges for 11 mos. was $18,561,247, compared with $8,997,621 a year ago. It is estimated that earnings for the 12 mos. will be equal to $16 per share on the $117,110,000 outstanding common stock, against $8.70 earned in 1915.

Ontario & Western.—Declared dividend of 1% payable July 24 to stock of record July 7. Previous dividend was 2% in June, 1913.

Pennsylvania Co.—This company, operating western lines of Pennsylvania Railroad, has declared a semi-annual dividend of 4%. The stock of the company is all owned by the Pennsylvania Railroad.

Pittsburgh, Cincinnati, Chicago & St. Louis.—Declared dividend of 2% on preferred stock, payable July 25 to stockholders of record July 15. Directors of the company state that further dividends on the preferred and common stocks will be left until the December meeting, when the earnings for the year will be available.

Pittsburgh & Lake Erie.—This road has filed amended articles of incorporation increasing its authorized stock from $30,000,000 to $50,000,000. It is understood that the new stock will be issued to the stockholders for subscription. New York Central owns 51% of the company's stock.

Rock Island.—Preliminary estimates of June gross earnings show $6,105,758 compared with $5,659,674 in June, 1915, an in-

crease of $446,084, or 7.9%. For the fiscal year ended June 30 the company earned $75,228,808 gross against $70,947,810, an increase of 6% over previous year. However, this does not show the real increase as in 1915 Keokuk & Des Moines' earnings were included in the totals. These amounted to about $650,000.

Seaboard Air Line.—In the fiscal year ended June 30 earned over 5% on the $23,894,100 outstanding preferred stock, after all charges and payment of the full 5% on the adjustment income bonds. Gross for year was $24,500,000, an increase of 15.2% over 1915. Net after operating expenses and taxes for the past year will aggregate $7,000,000. Surplus will be $1,250,000.

Toledo, St. Louis & Western.—Estimated income for fiscal year ended June 30 of $1,350,000 is about $250,000 in excess of full charges, including the $461,000 interest on Series A and B bonds which has not been paid since appointment of receivers in the fall of 1914.

Wabash Railway.—Earnings the past fiscal year were the heaviest in the history of the company. It is estimated surplus will be equivalent to about 9% on the new preferred A issued in reorganization, or 5% on A and 4% on preferred B. In May, 1915, the old Wabash earned only $1.8767 gross per traffic train mile. In May, 1916, each train earned $2.2809 per mile, an increase of 21.5%. For 11 mos. to May 31 the increase was 10%. Operating expenses per train mile have been reduced 6%.

Western Maryland.—Surplus over all interest and defaulted unpaid interest rentals, etc., for 11 mos. ended May 31 was $401,765, equal to 4% on the $10,000,000 outstanding preferred stock. Total surplus for 12 mos. should be approximately $500,000 or 5% on the preferred stock. In 1915 the company reported a deficit of $907,905.

Western Pacific.—California railroad commission has approved reorganization plan of Western Pacific Railway, which includes sale of all its property to new Western Pacific Railroad Co., issue of $75,000,000 stock and $20,000,000 bonds by latter corporation, and mortgaging property to secure an authorized bond issue of $50,000,000.

INDUSTRIALS

Allis-Chalmers.—Net earnings for May were $327,911, an increase of $271,007 over a year ago. 5 mos. net was $1,359,733, an increase of $1,273,217. After deducting dividends on preferred for 5 mos. there remains 8% per annum for the common out of the 5 mos.' earnings. As of May 31, the company had $12,313,943 orders on hand, of which more than 75% represented commercial business. Net working capital on same date was $12,855,765, against $11,908,712 on Jan. 1, 1916.

American Can.—Denying the motion of the government to dissolve the American Can Co., and also dismissing the motion of the co. asking that the government petition be not granted, Federal Judge Rose has rendered a final decree in the government's anti-trust suit against the company. The court retains jurisdiction. Judge Rose said that co. would be permitted to continue as it is at present unless by some action a decree of dissolution may be deemed necessary.

American Car & Foundry.—Reports for fiscal year ended April 30 gross earnings of $4,595,359, net $2,816,018, leaving available for the common stock $716,018, or 2%, after providing for the 7% preferred dividend. Profits on $7,300,000 war orders booked during year are not included.

American Graphophone.—Earnings showing an increase of 50% over last year. The common and preferred stocks sold at 163, the highest ever touched.

American Hide & Leather.—For the fiscal year ended June 30 it is estimated co. will show between 11% and 12% earned on the preferred after all charges.

American International Corporation.—Is understood to have earned about $850,000 during first half of 1916, or at rate of 17% on $10,000,000 capital stock. During second half of the year profits will have to be figured on $25,000,000 capitalization.

American Locomotive.—Earnings for fiscal year ended June 30 are understood to have exceeded $32 per share. At present the company's plants are booked with locomotive orders until near the end of 1916. Expected co. will complete its 2,500,000 shrapnel and high explosive shell order by July 30, or two weeks earlier than was anticipated. Completion of the 1,100,000 fuse order will take until near the end of the year.

American Sugar Refining.—For 6 mos. ended June 30 co. is believed to have earned the half year's proportion of the 7% dividend on the $45,000,000 preferred, and also a balance sufficient to cover the full year's dividend requirements of $3,150,000 on the $45,000,000 common.

American Woolen.—Has received total of $3,250,000 in orders from U. S. Government in past two weeks.

Baldwin Locomotive.—Booked up well ahead on regular equipment business, and if it books any substantial part of Russian inquiry for 1,000 engines, it will have large

profits assured until well into next year. This co. took 250 of the first Russian contract for 400 locomotives placed in this country. Co. has taken an order for 100 small field locomotives for French government involving $750,000.

Barrett Co.—Formerly American Coal Products Co., is estimated to be earning at the rate of 60% on the common stock. June earnings were the largest in its history.

Bethlehem Steel.—Earnings for 1916 from orders now in hand estimated at nearly $65,000,000 after all interest charges. After depreciation charges there should remain about $400 per share for the common. Besides $25,000,000 of definite additional orders co. has received notice from British government to continue its shell manufacture to the end of the year to the capacity of the plant. Bethlehem has made settlement for purchase of Pennsylvania Steel Co. Under terms of sale preferred stockholders of Pa. Steel Co. receive par, and the common stock about $27.08 per share in cash.

Bliss Co. (E. W.).—Declared extra dividend of 100% on com. stock payable July 14 to stock of record July 10. In first 6 mos. of 1916 co. declared total dividends of 125% or $62.50 a share on com. stock.

Canada Foundries & Forgings.—Declared regular 3% quarterly dividend with extra dividend of 3% on com. stock and 1¾% on pref., payable Aug. 15 to stock of record July 31.

Colorado Fuel & Iron.—Dividends on the $2,000,000 8% pref. stock of this co., which has declared a 30% dividend on account of accumulated payments, were omitted from 1903 to 1911 inclusive. Total dividends due for the period from 1903 to July of this year were 108% of which 78% will have been paid on Aug. 15, leaving 30% to be paid.

Corn Products Refining.—In first quarter of this year surplus after pref. dividend of 1¼% amounted to $682,798, a gain of $302,712 over last year. This is equal to $1.40 a share on com. stock, or at rate of $5.60 a year. It is proposed to cut the com. stock in half, so that on a basis of new capitalization surplus in the first quarter would have been at rate of close to $9 a share annually after providing for entire dividend of $7 on pref.

Continental Motors.—Declared cash dividend of 5% payable July 15 to stock of record July 5, being the first cash dividend on this stock. Stock dividends of 100% were paid in February and October last, and 200% in October, 1912.

Cramp Shipbuilding.—For fiscal year ended April 30 earned net profits of $1,497,254, or 17.8% on its stock. Understood co. has orders on hand at present for 14 merchant vessels and that these contracts will keep it at capacity all through 1916-17 year.

Crucible Steel.—Has received contract from U. S. Government for munitions to value of about $4,000,000. This co. has been given extension of time to complete its foreign war orders.

Cuba Cane Sugar.—For 5 mos. ended April 30 gross sales were $37,802,751. Net for preferred dividends was $13,866,812, equal to $27.70 on the $50,000,000 pref. stock, or nearly 4 times annual 7% dividend. Balance after pref. dividend would equal $26.50 per share on the 500,000 shares common which have no par value.

Distillers Securities.—Earnings for year ended June 30 expected to show interest charges 5 times over. For several years previous they have averaged only about twice the interest. It is anticipated that net quick assets as of June 30 will equal outstanding bonds.

Draper Co.—On its new capitalization co. is estimated to be able to earn between $12 and $14 a share, or between $2,000,000 and $2,500,000. In April co. placed common stock on a $20 dividend basis. It is understood the new Draper com. will start dividends in October at rate of 8% per annum.

Driggs-Seabury.—In first 4 mos. of calendar year net profits of $1,058,968 were shown. An official estimate of earnings for 1916 made some time ago placed probable profits of combined companies at $6,500,000. Co. has received an order from U. S. Government for 250 Lewis machine guns, and within a few days it will have completed the first two guns on an order for 500 12-pounders for the British government. Co. is planning to turn out 25 of these each week at its Sharon works within a short time.

Emerson Phonograph.—Filed a summons and complaint in a suit against Henry Watterson for $100,000. Victor H. Emerson, president of the Emerson Phonograph Co., (known as the father of the 10c. record), alleges that Watterson violated an agreement with him in not giving him half of the net profits from the selling rights on 20,000,000 Little Wonder records under a contract with the American Graphophone Co. Under the contract Watterson was allowed a selling commission of 1c. per record. Mr. Emerson's one-half of these profits has been assigned to the Emerson Phonograph Company.

Firestone Tire & Rubber.—Sales for past 11 mos. have increased 38% over same period previous year.

Gaston, Williams & Wigmore.—Declared initial dividend of $1 a share payable July 26 to stock of record July 12. Earnings from April 19 to May 31 showed profits of $400,000. Current profits are equal to $6 a share per annum.

General Motors Co.—Planning to introduce through its subsidiary, the Buick, a

four-cylinder car to sell for around $650 to $700.

Gray & Davis.—Now producing 1,000 shells daily and will gradually increase this to 2,000. Co. is also making 500,000 brass cartridge cases. An important order for self-starters from the Chandler Motor Co. for 1917 delivery has just been closed. This calls for 25,000 sets.

Hudson Motor Car Co.—During past 4 mos. daily output of plant has been quadrupled until it now totals 135 cars daily. It is planned to manufacture 35,000 cars within next 10 mos.

Inland Steel Co.—Estimated current earnings equal to $1,000,000 monthly, or 120% on the stock. For the first half year net equaled 90% on stock. New plant facilities under construction will not be in full operation until first of next year.

International Mercantile Marine.—Of the $67,000,000 surplus held on May 31 by this co. only about $20,000,000, all in cash, was held in this country, and the balance of $47,000,000 in England. Co. estimated to have had surplus of $77,000,000 on June 30. Both the American and British interests which will be represented on the new board of directors of this co. favor a plan to build new ships out of earnings. Tentative plans under way call for construction of a large number of ships out of cash reserves of the co., which it is believed will mean more in ultimate gain for both the pref. and com. stocks than a hasty payment of back dividends on the preferred.

International Paper.—Plans to build a 200-ton newsprint mill in Canada. There is an advantage of at least $5 per ton in the manufacture of newsprint at a good Canadian location over manufacture in New York or Maine where raw materials largely have to be brought in by rail or steamer. Mills estimated to be shipping over 1,000 tons of newsprint into the United States daily.

Kress & Co. (S. H.).—New co. to be incorporated to take over business of S. H. Kress & Co. of New York and S. H. Kress & Co. of Texas, corporations operating a chain of about 125 "five, ten and twenty-five-cent stores," will be capitalized for $17,000,000, of which $5,000,000 will be 7% cumulative pref., $4,000,000 of which will be presently issued, and $12,000,000 com. stock, both of $100 par. Present management will retain ownership of a large amount of pref. and a majority of com. stock. During present year gross business of co. continues to show substantial improvements, being about 25% in excess of 1915.

Lackawanna Steel.—Has taken order for 75,000 tons of 67½-pound open-hearth rails for Russia, deliveries to extend up to middle of 1917. Contract price was in neighborhood of $52 a ton. Earnings for quarter ended June 30 will show approximately $3,300,000 on the stock. This will make earnings for the half year about $5,550,000, or at rate of 31%.

McCrory Stores.—Sales for first 6 mos. of 1916 were $2,803,364, an increase of $363,846, or 14.88% over corresponding period of 1915.

Maxwell Motor.—The year ended June 30 showed an output of between 60,000 and 65,000 cars. It is planned to increase 1917 output by 50% to a total of 100,000 cars. Co. expected to further reduce price of its 1917 car, probably by as much as $60, because of the anticipated jump in production.

May Department Stores—Sales for 5 mos. ended June 30 were $11,314,214, an increase of $2,526,197, and a new high record for the 5 mos. period.

Mitchell Motors Co., Inc.—Will have capitalization of 125,000 shares of no par value. New co. will acquire business of the Mitchell Lewis Motor Co. and also the plant of the Mitchell Wagon Co., in which the bodies for the Mitchell automobiles are now built. The saving through ownership of own body plant is placed at $200,000. For fiscal year ending Oct. 31, 1916, output will be at least 10,000 cars, and for 1917 the expectation is for 20,000. For 1916 fiscal year profits are estimated at $1,400,000.

National Lead Co.—U. S. Cartridge Co., in which National Lead owns important stock interest (about 40%), is said to be earning $300,000 monthly, or at the rate of 450% on the $800,000 stock.

Pennsylvania Steel.—Co. has notified com. stockholders that they may receive payment on or after July 8 for their stock, amounting to over $31 per share, under terms of sale of co. to Bethlehem Steel Co. Holders of preferred stock will receive in liquidation $100 per share for their stock, that being the limit as prescribed by the charter. The amount payable to the holders of preferred stock aggregates $20,509,344.

Pressed Steel Car.—Has closed contract with French government to turn out 100,000 steel forgings for 9.2-inch shells, at a cost of about $25 each, or $2,500,000 in all. Plant has been hurrying forward about 7,000 steel freight cars for Russia, and is now working on 2,000 to 3,000 special type freight cars for France.

Saxon Motor Corp.—In fiscal year ended June 30 co. shipped 25,399 cars, compared with 12,099 in previous year, an increase of about 110%. In June, shipments were 3,122 cars. Net earnings are estimated at $1,250,000, equal to $21 a share on the $6,000,000 stock, on which the co. has started dividends of $1.50 a quarter.

Sears-Roebuck.—This co. reports sales for June at $9,424,881, an increase of $1,742,852, or 22.68%. For the 6 mos. the co.'s

sales aggregated $65,735,793, a gain of $12,-638,071, or 23.80%. The employees of this co. will receive 5% of their salaries from the earnings of the co. according to a new profit-sharing plan just announced.

Standard Screw.—Net profits for fiscal year ended March 31, 1916, were $2,163,738, and amount available for dividends, $2,121,-772. This is equal to 78.02% on the $2,500,-000 com. stock after providing for the pref. dividend. Dividends of 6% on the pref. A, 7% on the pref. B, and 15% on the com. stock were paid, and there was carried to surplus account $1,575,483, comparing with a deficit of $47,494, after dividend payments in the previous year. Unfinished contracts at the end of the fiscal year totaled approximately $5,000,000.

Studebaker.—Sales during the first 3 mos. of 1916 are reported at 36,700 cars, an increase over the same period of last year of 16,300 cars, or 80%. This is entirely for domestic account.

Stutz Motor Car Co.—Directors of Stutz Motor Car of Indiana declared a dividend of $125,000, payable Sept. 1, equal to $1.66 on the parent company stock. Earnings of the latter co. are estimated to be equal to $10 per share per annum.

Underwood Typewriter.—Earnings for 4 mos. ended April 30 were equal to 8.44% on the $8,500,000 com. stock after subtracting preferred dividend, or at rate of 25.32% annually. The 4 mos. earnings were sufficient to pay the 7% dividend on the $4,500,-000 pref. and 4% dividend on the com. for the full year and leave $167,195, or nearly 2% on the junior issue.

Union Bag & Paper.—Sufficient assent to the proposed plan of reorganization of this co. havebeen received by the committee to insure its consummation on Aug. 1 when the time for filing assents expires. The plan is to reduce the company's present capitalization of $27,000,000 to $10,000,000 new stock, providing for $1,000,000 cash, giving 80% of the new stock to the present preferred and 20% to the present common holders.

United Fruit Co.—June was the biggest month in the history of the co., net profits being $2,560,000. This equals 5% on the $48,000,000 stock.

U. S. Steel.—Estimates of earnings for the second quarter of 1916 now range between $70,000,000 and $80,000,000. If earnings reach $75,000,000 there will remain a surplus close to $53,000,000 for the common, equal to more than $10 a share or at the rate of over $40 a share annually.

Westinghouse Electric.—It is understood that June net profits were $1,800,000 and July net is expected to reach the $2,000,000 mark.

White Motors.—Declared initial quarterly dividend of 85½c. a share (par value $50). This places the stock on a 7% per annum basis. The co. has received an order for 400 motor trucks from the U. S. Government.

Willys-Overland.—In current calendar scheduled to produce 200,000 cars and to date this rate has been easily attained. Production in 1915 was 95,000 cars.

Woolworth (F. W.).—Sales in June were $6,801,845, a gain of $1,006,505, or 17% over June, 1915. In the first 6 mos. sales increased 15%.

MARKET STATISTICS

			Dow Jones 12 Inds.	Avgs. 20 Rails	50 Stocks High	50 Stocks Low	Total Sales	Breadth (No. Issues)
Monday	June	3	121.36	106.62	85.84	85.18	232,600	141
Tuesday	"	4		STOCK EXCHANGE CLOSED (Independence Day)				
Wednesday	"	5	123.54	106.91	86.70	85.99	483,100	186
Thursday	July	6	123.95	107.11	87.04	86.18	561,600	189
Friday	"	7	125.28	106.60	86.69	85.54	475,400	196
Saturday	"	8	122.12	106.62	86.17	85.76	154,700	144
Monday	"	10	120.44	106.08	85.95	85.16	451,600	177
Tuesday	"	11	123.10	105.41	85.21	84.26	644,100	209
Wednesday	"	12	120.05	105.45	84.74	83.93	533,500	192
Thursday	"	13	121.20	104.99	84.59	82.95	668,300	188
Friday	"	14	121.17	105.10	84.09	82.91	645,900	179
Saturday	"	15	119.55	105.17	84.36	83.83	143,600	141

Railroad and Industrial Inquiries

Rep. Iron & Steel

J. W. R., Richmond, Va.—Republic Iron and Steel 7% pfd. stock can be regarded as a good investment issue. While it is true that the company in the past has not always been able to earn the preferred dividend, the large earnings the company is now showing will enable it to so strengthen its cash position that it very likely will be able to maintain a preferred dividend even through a period of depression. There are still 8% back dividends due on the preferred, which it is quite likely will be cleared up this year. Although this stock has, as we say, very fair investment value, we should be inclined, if we were in your position, to take profits and put the proceeds in a still more conservative security. It is uncertain what effect the ending of the war will have on industrial conditions in this country, and we believe it wise to put funds in the very best securities, such as bonds or short term notes.

U. S. Realty

R. A. J., Lake Dunmore, Vt.—United States Realty and Improvement Co. for the year ended April 29, 1916, earned 3.7% on its stock, as compared with 5% the previous year. Conditions, however, are reported to have improved materially of late. Leases on hand are now $200,000 per annum more than they were the year previous. Contracts for the constructions of buildings are approximately $5,000,000 more than a year ago. The company has $622,539 working capital. The bonds can be regarded as an attractive semi-speculative investment, and we believe they have good possibilities of working up from present levels of around 66. Our suggestion would be for you to hold yours. The drop in the stock was largely due to the fact that the last annual report was considered disappointing.

Submarine Boat

E. B., N. Y. City.—Submarine Boat is paying, as you know, at the rate of $6 per share per annum. The company has orders on its books which should yield profits sufficient to maintain this dividend for three or four years at the least. Our suggestion would be to hold the stock. It will very possibly show you a good profit before many months.

Pittsburgh Coal

J. E. F., N. Y. City.—Pittsburgh Coal. The plan of this company is of benefit to the common stockholders in that it has removed the 44.58⅓% back dividends that were due on the preferred stock. After 6% is paid on the new preferred stock the balance will be available for dividends on the common. The common stock under the plan, therefore, can be regarded as decidedly nearer dividends than it was before.

Bethlehem Steel

A. W., St. Louis, Mo.—Bethlehem Steel in 1915 earned $112 per share on its common stock after deducting $4,000,000 to $5,000,000 for depreciation. Over $12,000,000 was spent on new construction in 1915. It is impossible to estimate accurately what the company will earn the current year, but in well-informed circles it is believed that between $300 and $400 per share will be shown for the stock in 1916.

Missouri Pacific

J. A. D., Cambridge, Mass.—The Missouri Pacific reorganization plan is progressing satisfactorily, and it is not generally thought there will be any change made in it. Under the reorganization plan, as you state, Missouri Pacific refunding 5's and the gold loan 4's are treated the same. We believe the plan will go through in its present form. We would not say that the difference of only one point between the market prices of these securities is of much significance.

Accumulated Pfd. Dividends

C. W. O., Kalamazoo, Mich.—The following list of preferred stocks have accumulated back dividends due on them and can be considered fairly attractive speculations at present levels.

	Back Dividends	Present Rate	Price
International Mercantile Marine pfd.	78%	—	$ 75¼
American Can pfd.	8¾%	7%	$111
Republic Iron & Steel pfd.	10%	7%	$109
Crucible Steel pfd.	24¾%	7%	$115
International Paper pfd.	31%	2%	$ 47⅞
American Malt pfd.	30½%	2%	$ 34½

Of these stocks, American Can, Republic Iron & Steel and Crucible Steel are earning sufficient to enable them to pay up the back dividends due on their preferred stocks this year, if they so desire. International Mercantile Marine is in receiver's hands, but current earnings are showing up so large because of the high freight rates due to the war that it is expected the company will shortly be reorganized and taken out of receiver's hands. The preferred stock at present prices can be regarded as an attractive speculation. International Paper pfd. and American Malt pfd. are not as likely to get their back dividends paid in the immediate future. American Malt pfd. is entitled to 6%. This company's earnings are reported as somewhat better, but there does not appear to be much likelihood of an increase in the dividend soon. International Paper pfd. is entitled to 6%. The company's earnings are running considerably over the 2%, that is, now being paid.

Wabash-Pittsburgh Terminal

R. G. C., Harrison, N. J.—The two first mortgage bonddholders' committees of the Wabash-Pittsburgh Terminal formed a reorganization committee and the latter drew up the present reorganization plan. After some opposition, the reorganization committee on January 27, 1916, declared its plan to be operative, a majority of the first mortgage bonds having paid the first installment of the assessment. It is generally expected that this plan will go through. There are a few minor difficulties in the way but it is believed these will be cleared up. For example, the United States District Court at Pittsburgh has been asked to reduce the upset price from $6,000,000 to around $3,000,000. Should this go through there would be little or nothing for the bondholders that did not enter the reorganization. The Fearon committee of bondholders, however, has just been granted a hearing. They contend the upset price should not be reduced. By upset price is meant the lowest price at which property can be sold at foreclosure. The reorganization plan provides that the first mortgage bondholders upon paying $300 per $1000 bond will receive 30% in new preferred stock, 100% in new common stock, 2.8% in Wheeling & Lake Erie 1st pfd., 21% Wheeling & Lake Erie 2nd pfd., 39% Wheeling & Lake Erie common.

The new preferred stock is now selling on the New York Curb around 50 and the new common around 19, so that the market value of the new Wabash-Pittsburgh Terminal stock that each bond receives is $340, or $40 more than the assessment. With Wheeling & Lake Erie 1st selling at 16, the 2nd pfd. at 6, and the common at 5, the Wheeling & Lake Erie securities would have a value of approximately 36, making a total at present market value of all securities received per $1,000 bond, $376, or $76 over the assessment. In this connection it must be remembered, however, that it is proposed to have the Wheeling & Lake Erie stock vested in three trustees for three years. What Wheeling & Lake Erie's stocks ultimate value will be is decidedly uncertain. There will probably be a large assessment to pay on this stock. How the expected assessment on Wheeling & Lake Erie will be met it is impossible to say. It may mean that there will have to be more money paid in to keep the ownership of these stocks.

Wabash-Pittsburgh Terminal is now doing a larger business than its reorganizers expected could be reached for some time under the development plan proposed. When the reorganization is completed, the company will have annual fixed charges of only $261,000 while dividend requirements on the new preferred stock to be issued amount to only $544,000, a total of $805,000. In the ten months of the present fiscal year, net earnings were $537,000 including earnings of the West Side Belt Railway, so that it can be seen earnings are very close to covering preferred dividend requirements. Then there is the Pittsburgh Terminal Railroad & Coal Co. which owns about 12,880 acres of unmined coal in Allegheny county. It is estimated that the output of this company can be raised to 4,000,000 tons per annum. The unmined coal is estimated at 100,000,000 tons.

We believe this property to have good future possibilities and as the new common and preferred stocks are now selling at prices well over the $300 assessment, our suggestion would be to enter the reorganization and pay the assessment.

Lake Torpedo

A. L., N. Y. City.—Lake Torpedo Boat is highly speculative. The company undoubtedly has large orders on hand, but there is no information as to just how large profits the company will be able to make from these orders. The company recently put out an issue of preferred stock to strengthen its financial position, so that the stock has possiblities of going higher, but there is a certain element of risk involved in holding it. If you are willing to take this risk, we believe it quite likely that you will be able to get out ultimately to better advantage than if you sold at present prices.

Railway Steel Springs

S. E. A., New York City.—Railway Steel Springs (45) is operating close to capacity at the present time. The prevailing price for the stock, however, has probably largely discounted the improved earning power of the company. Under normal conditions, Railway Steel Springs has not shown an earning power which would justify even as high a price as the stock is now selling for.

Nat. Enameling & Stamping

R. W. L., White Plains, N. Y.—National Enameling & Stamping for the year ended December 31, 1915, earned 2.02% on the common stock. It is reported that the company has sufficient orders on hand to keep it going at capacity for some time, so that 1916 should show up better. Under these circumstances, we do not favor selling the common short at present levels.

TELEGRAPHIC SERVICE TO YEARLY SUBSCRIBERS

The Magazine of Wall Street has made arrangements by which yearly subscribers who desire prompt replies to their inquiries may receive them by telegraph—the only expense incurred being the cost of the telegram, which will be sent collect. We urge subscribers to use this method when they expect to take quick action in the stock market, as one or two days' delay might result in a loss that a telegram would have saved.

BONDS AND INVESTMENTS

Farm Mortgages as Investments

Size of Farm Mortgage Business—"Conservatively Made" Mortgages—What the Investor Must Consider.

By H. M. HANSON
Secretary-Treasurer, Farm Mortgage Bankers' Association of America

THERE are more corporations, life insurance companies, savings banks, trust companies and individuals investing their loanable funds in farm mortgages today than at any other period in the history of farm mortgage banking. This indicates in a concrete way, that this form of investment is steadily gaining in favor among all classes of investors. While the farm mortgage has been a favored security among American investors for a great many years, fresh impetus was given it when the European war caused a temporary cessation of the operations of the stock exchanges throughout the United States in 1914. Many customary avenues of investment were barred, listed stocks and bonds were not available and investors were forced into those forms of investment not adversely affected by conditions of war. Under such conditions the farm mortgage loomed doubly large and attracted added attention as a safe, desirable and profitable investment.

Magnitude of Farm Mortgage Business

Few people realize the magnitude of the farm mortgage business, its scope and the amount of money invested in farm mortgage securities. The latest estimate made by the Federal Government is that approximately $3,500,000,000 represents the investment in farm mortgages secured by productive farms in the United States. According to recent compilations life insurance companies have an aggregate investment of $660,000,000; savings banks and trust companies, $542,000,000; foreign companies, principally British and Dutch, estimated at more than $250,000,000, the remaining investment being distributed among large and small estates, institutions and individuals.

It is an important fact that farm mortgages have maintained their high standing through panics, wars and other economic disturbances with comparatively little loss to investors. A large majority of the oldest and largest farm mortgage houses, savings banks and life insurance companies report a continuous business without the loss of a single dollar either of principal or interest. What is the answer to this remarkable record? Unquestionably it lies in the fact that the security behind a farm mortgage is productive farm land—the source of our original wealth.

Nearly every state in the Union has productive farm land within its borders, although the major portion of the farm mortgages originate in the Southern, Northwestern, and Middle-Western groups of States. Each of the different groups, generally speaking, has its own peculiar climatic, soil and social conditions and each, therefore, presents characteristics in its farm securities somewhat different from those of the other groups, but the conservatively made mortgage in any of the groups is fundamentally safe and sound.

Conservative Farm Mortgages

What is meant by a "conservatively made" farm mortgage; what constitutes a standard farm mortgage security? A few simple suggestions will be helpful in arriving at an appreciation of the main essentials:

(1) The territory under consideration, its climatic and soil conditions, its annual rainfall or irrigation should all be favorable to profitable crop production and

have a satisfactory agricultural history. (The United States Department of Agriculture will furnish this information on request.)

(2) The farm mortgage banker who negotiates the mortgage and offers it for sale should possess good character, reliability, integrity, business ability and a successful experience of years in the farm mortgage business.

(3) The individual farm securing the mortgage should be well improved and profitably productive.

(4) Preferably it should be occupied by its owner, or if occupied by tenant the owner should reside near enough to the farm to give its operation his reasonable attention.

(5) The farm should be conservatively appraised at a valuation that compares favorably with the neighborhood valuation of productive farms.

(6) The appraised valuation of the farm should be at least twice the amount of the debt represented in the first mortgage.

(7) The abstract prepared by experts and duly certified should disclose the title undisputably lodged in the owner of the land and that the mortgage exhibited is the first valid lien against the land.

(8) The owner should possess good farming ability and a good reputation as a debt payer.

A farm mortgage produced under the foregoing specifications may be said to be basically sound, and withal a highly satisfactory investment assuring the investor a net return of from 4½% to 6% on the principal invested. So much for the fundamental security itself.

Let us go back a moment to consider the statement made—that many old established farm mortgage houses, savings banks and life insurance companies have never experienced the loss of a dollar either in principal or interest on their farm mortgage investments. The statement clearly within the truth, is broad and naturally raises the question, "How can it be possible?" The answer in a general way is that, in the first instance, the loans were conservatively produced. They were made under substantially the eight specifications, enumerated above. An investment surrounded by these conditions is safeguarded to an extent almost beyond any possibility of ultimate loss. This does not mean, however, that the borrower does not sometimes experience reverses by which he is temporarily unable to meet his interest promptly, nor does it mean that foreclosures are not sometimes necessary in order to recover the money invested. It means that a loan, conservatively made and thus well secured, furnishes beyond question a margin of security sufficiently ample to cover any possible loss to the investor. In such rare instances the processes of collection may somewhat delay the recovery of the principal, but it is returned within a reasonable time with *interest in full to date,* and in most states *with all legal expenses paid.*

What Investors Must Consider

One of the most important items for investors to consider is the standing of the banker who produces the mortgage and his experience in the farm mortgage business. The experienced, successful farm mortgage banker not only offers a security of assured safety, but he offers a service during the period of the loan that is of incalculable value. The service he renders is important, and through it he discharges a moral obligation not only to the investor, but to the borrower as well.

The service to the investor begins, rather than ends, with the assignment of the mortgage papers. It consists in promptly collecting and remitting to the investor the interest and principal as they become due; in seeing that the taxes on the farm are promptly paid; that the farm buildings are properly insured in favor of the mortgagee at all times and the premiums paid, all of which is attended to without cost to the investor. It is a year-in and year-out personal service that obtains with no other class of investment. The investor purchases an individual farm mortgage—the entire security is his, he controls it—and with it he acquires the service of the farm mortgage banker who protects the interests of the investor through his peculiar position to keep in touch with the

farm and the borrower at all times during the life of the loan.

Farm Mortgage Debt in U. S.

Thirty-five hundred million dollars represents the farm mortgage debt in the United States. Does this mean that the American farmer as a class is woefully improvident or that he is conducting his farming operations at a loss? Let us see.

Certain statistics were compiled a few years ago under the auspices of the Federal Government, showing the number of farms and farmers in the United States; the number of farms operated by owners and the number operated by renters; the total farm mortgage debt and much other pertinent information. For convenience and to find an answer to our question let us consider the statistics covering the Mississippi River valley group of States extending from Canada on the North to the Gulf of Mexico on the South. Within this group is represented every class of farming from cotton raising to dairying, as well as diversified farming in its highest development; together with all kinds of soils, climatic conditions and nationalities. If within this group we strike an average of all conditions of every character we find that the State of Wisconsin, on the whole fairly typifies average conditions obtaining in the group of Mississippi River valley States.

Wisconsin as an Illustration

We will use Wisconsin then to illustrate our point, taking into consideration the fact that she has the highest percentage of farms mortgaged of any other State in the group. Less than half of her farms are reported as being free from mortgage debt.

Let us divide the Wisconsin farms into two groups, to wit: the farms free from mortgage debt on one side and the farms that have mortgages on the other, and see what the statistics disclose. We find:

1st. That the farms with mortgage contain the largest number of acres.

2d. That the mortgaged farms embrace the highest percentage of improved land.

3d. That the mortgaged farms have better and more valuable buildings and other improvements.

4th. That on the mortgaged farms there is a greater investment per acre in implements, machinery and live stock than on the farms that are not mortgaged.

On such a showing we are irresistibly led to the conclusion that the money borrowed by the Wisconsin farmer is being profitably employed; that the production and wealth of the State are thereby increased and therefore that the use of capital, available through the ability to borrow money on mortgage, is of distinct profit and benefit to the borrowing farmer.

What is true of Wisconsin holds good in all other agricultural States.

The principle of borrowing money on mortgage security and the advantages that thereby accrue to the borrower and to the community at large are rapidly becoming better understood by the investing public, and the farm mortgage as an investment security is sequentially more popular today than at any previous period in our history. It is an investment devoid of all speculative features, an investment that assures a good return consistent with the security offered and withal an investment that imparts a feeling of security to the investor that is absent in investments that are speculative in character.

Objection is sometimes made that the farm mortgage lacks features which make it a readily convertible instrument in the event a quick turn of funds becomes necessary. In the main this objection is not valid. Conceivably, one might find some slight annoyance in times of stress in effecting a "spot cash sale" on short notice, but most high class farm mortgage bankers agree to re-purchase the mortgage at any time before its maturity, provided they are in funds; investors are rarely if ever disappointed in an arrangement of this kind.

Experience shows also that a standard farm mortgage is readily taken as prime collateral for a loan at any bank that is in funds, for the full face of the mortgage at current rates. Moreover, the Federal Reserve bank, created for meet-

ing emergencies, offers additional facilities for effecting such a transaction. In actual everyday practice investors experience no real difficulties in "cashing in," at full face value, any standard farm mortgage in their possession.

Convertibility, nevertheless, is a factor to be considered in the arrangement of any investment fund. Emergencies should be anticipated in such manner as to cause the least disturbance to the whole investment. The following plan is suggested as a well-balanced program for the investment of funds:

Twenty per cent. in U. S. Government and other bonds easily convertible into cash in the open market.

Thirty per cent. in first mortgages on carefully selected city property, produced only by mortgage dealers of known responsibility and reliability.

Fifty per cent. in high grade first farm mortgages produced only by farm mortgage bankers of known reliability and experience.

The published reports of life insurance companies, savings banks and other institutions disclose the fact that their experience on farm mortgage investments has been eminently satisfactory and profitable. The experience of individual investors, large and small, over a period of a quarter of a century is equally satisfactory and profitable.

Income Plus Safety

There is justification for the statement that the farm mortgage stands ahead of any other form of investment in securing for the investor a reasonable income plus assured safety and a general sense of complete satisfaction and immunity from worry.

Manifestly, an investor cannot personally inspect the security behind every individual mortgage he buys—to do so would be expensive; but every investor can and should investigate the farm mortgage banker as to his honesty, business ability, financial responsibility and experience in the farm mortgage business. Patronage should be withheld unless and until he is shown to be entitled to the full confidence of the investor.

The character of the farm mortgage banker is reflected in the quality of the security he produces and offers to the investing public.

Your Views on the Market

may be of interest and value to your fellow readers. Why not send them in? THE MAGAZINE OF WALL STREET is always glad to hear from the members of its big family of subscribers. Become one of our contributing editors. Many a man has an idea or two tucked away in the back of his brain which he means to expand into print "some day," and some of those ideas are inspirations. We will be glad to print short meritorious contributions on the market or other financial topics, either using the writer's name or withholding it, as requested. The interchange of ideas is what keeps the world revolving; so if you have a gem of a thought or an opinion, don't let it die overnight, but "shoot it in."—Editor.

Bond Inquiries

Canadian Bonds

A. M., New York City.—It is our opinion that Canadian bonds offer excellent opportunities for investment. Many of them give a great deal of security combined with a fairly large income return. It is always better to diversify your investment, that is, do not purchase more than one or two bonds of each issue. You might also put part of your money into convertible bonds. There are several that are very safe issues and which at the same time may have a speculative advance because of their conversion privilege. We suggest Southern Pacific convertible 5s, selling around 104. They are convertible into Southern Pacific stock at par. Southern Pacific is showing remarkably good earnings and it is very possible that the stock may have a considerable advance from present levels, which would cause an upward move in the convertible bonds.

Hudson & Manhattan 5's

C. R. V., Scranton, Pa.—Hudson & Manhattan 1st Refunding 5's (71¾) are a semi-speculative bond, but would appear to be in a fairly strong position. The company is earning the interest on these bonds about one and one-third times. There does not seem to be any good reason why earnings should fall off to any extent. In fact, they ought to increase.

Reinvestments

H. M. C., Manchester, N. H.—It is our opinion that you have chosen the proper course in selling out your speculative commitments. We believe you would do well to put your funds in bonds, short term notes and high grade preferred stocks. You might put a portion of your funds in each. High grade preferred stocks we favor are, American Smelting & Refining preferred, American Sugar Refining pfd., American Tobacco pfd., and National Biscuit pfd. A few preferred stocks which are slightly more speculative but whose dividends appear reasonably secure, and which also offer the prospects. of working considerably higher in price are Cuban Cane Sugar pfd., Maxwell Motors 1st pfd., and Crucible Steel pfd. There are 24¾% back dividends due on the last, and this should be cleared up to a large degree this year. Some short time notes we regard favorably, are, Brooklyn Rapid Transit 5s, due July 1, 1918, yield 4.57%, Dominion of Canada 5s, due April 1, 1921, yield 4.95%, Remington Arms-Union Metallic Cartridge Co., 5s, due February 1, 1919, yield 5.60%. We favor the following bonds: Chicago, Milwaukee & St. Paul Collateral, yield 4.68%; Great Falls Power 1st 5s, yield 4.97%; Baltimore & Ohio Refunding and General Mortgage 5s, yield 4.95%; Atlanta & Charlotte Air Line 1st 5s, yield 4.80%; American Can Debenture 5s, yield 5.03%.

Granby Con. 6's

E. B. G., New York City.—Granby Consolidated 6's, convertible into stock at par, are redeemable at 110, with interest. After May 1, 1923, they are redeemable at 105, with interest. The annual sinking fund operated as of May 1, 1914, is 4% of the issued bonds. There is an additional sinking fund of 10% of net earnings for use in calling by lot, bonds of the $2,000,000 issued in 1915, or any future issue at 110 at sixty day notice.

Grand Trunk 5's

M. S. A., New York City.—Grand Trunk Ry. Co. of Canada 5% two-year gold notes. We regard these notes at 99¾ as an excellent investment and suitable for a woman to invest a portion of her funds in. While the ending of the war may cause the earnings of this railroad to fall off somewhat, it is highly unlikely that the reduction in earnings will be sufficient to impair the investment value of these notes.

Denver & Rio Grande 5's

E. A. B., Milwaukee, Wis.—The advance in Denver & Rio Grande refunding 5s was apparently due to the realization that these bonds are fairly secure, because of the excellent earning power this road is now showing. They must still be regarded as semi-speculative, because of the fact that Denver & Rio Grande is not yet separated from its burden —the Western Pacific. The latter road is to be reorganized and this reorganization is planned to relieve Denver & Rio Grande of its burden to a sufficient extent to allow it to get thoroughly on its feet and re-establish its credit. It is by no means certain, however, that these plans will prove successful. Denver & Rio Grande has guaranteed Western Pacific bonds. Denver & Rio Grande refunding 5s at 52½ we should regard as an attractive speculation. At present prices of around 73, however, in view of the uncertainty in the situation, we are not inclined to favor them greatly.

A Woman's Investment

F. E. G., Rochester, N. Y.—We do not consider the Anglo-French 5s a suitable investment for a woman. The following named bonds yield 5% and we believe them to be thoroughly proper securities for a woman to purchase for investment: Southern Pacific convertible 4s, Interborough Rapid Transit 5s, Midvale Steel 5s, American Can debenture 5s.

Russian Loan

C. C. M., Chicago, Ill.—Russian Loan Bonds. We regard these as a semi-speculative investment and not a suitable security for a woman to invest her funds in. It is uncertain how long the war will last, and the longer it continues, the greater the credit of the belligerent nations is strained.

PUBLIC UTILITIES

Consumers' Power Company

A "Utility" Which Has Come Along Rapidly—Steady Growth and Increase in Earnings—Investment Values of Bonds and Preferred Stock

By JAMES SPEED

CONSUMERS' POWER CO., although there is attached to its corporate title the words "of Maine," does business in Michigan. Incorporated in the former state in 1910 as a simon-pure holding company, it took over the eleven companies which it formerly controlled through stock ownership, and on July 20, 1915, became an operating company. The eleven companies mentioned are given herewith:

Name of Co.	Incorporated In
Au Sable Electric Co.	Michigan
Bay City Power Co.	Michigan
Central Power Co.	Michigan
Commonwealth Power Co.	Maine
Consumers Power Co. (of Mich.)	Michigan
Economy Power Co.	Michigan
Flint Electric Co.	Michigan
Grand Rapids-Muskegon Power Co.	Maine
Grand Rapids Edison Co.	New Jersey
Pontiac Power Co.	Michigan
Saginaw Power Co.	Michigan

In addition to the foregoing companies the Cadillac Water & Light Co. was acquired in January of the current year and the electric property of the Manistee Power & Light Co.

Consumers' Power Co. supplies light and power throughout a wide territory in the southern peninsula of the State of Michigan, serving over sixty cities and towns with a combined population in excess of 500,000. Among the larger cities served are Grand Rapids, Saginaw, Bay City, Kalamazoo, Flint, Jackson, Battle Creek, Muskegon, Pontiac, Manistee, Owosso and Cadillac.

Consumers' Power Co. is controlled by the Commonwealth Power, Railway & Light Co. through the ownership by the latter of the former's entire common stock. Capitalization of the Consumers' Power Co., as last reported, is as shown in Table 1.

The issuance of the outstanding obligations, bonds, preferred and common stock, was made under the authorization of the Michigan Railroad Commission, on the basis of appraisals caused to be made by it of the properties.

The Consumers' Power Co. operates water power and steam generating electric power properties supplying electricity for light and power to a large number of cities throughout the state of Michigan and owns hydro-electric generating plants situated on the Au Sable, Grand, Muskegon and Kalamazoo rivers, steam plants at Grand Rapids, Saginaw, Jackson, Bay City, Battle Creek, Flint, Kalamazoo and Pontiac, and valuable flowage lands, water rights and dam sights on the afore-mentioned rivers. The hydro-electric plants have a rated capacity of about 66,000 h. p., and the steam plants about 57,000 h. p., making a total of 123,000 h. p.

Earnings

Earnings of the companies for the last six years are set forth in Table 2. It will be observed that the interest on the bonds ($841,225) during the last year was earned about two and three-quarters times.

TABLE 1

Capital Stock	Authorized	Outstanding
Common	$12,000,000	$10,500,000
Pref., 6% cumulative	10,000,000	7,675,000
	$22,000,000	$18,675,000
Bonded Debt		
First lien and refunding 5% gold bonds	$35,000,000	$14,786,000
Divisional bonds	(closed mtges.)	2,038,500
	$35,000,000	$16,824,500

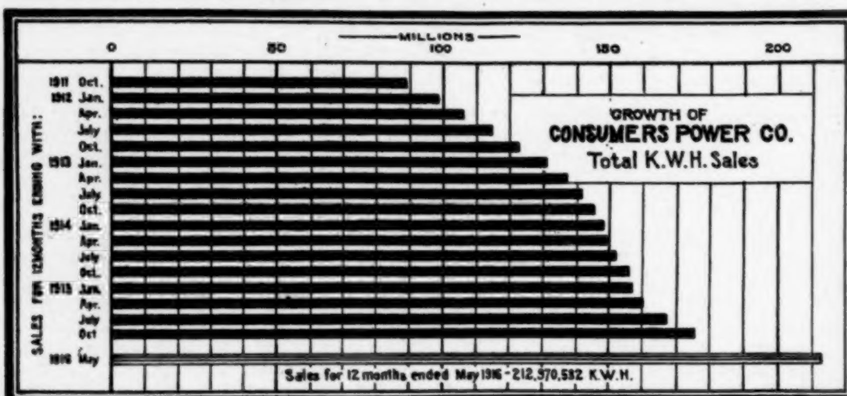
As evidenced by Table 2 this corporation is a very vigorous "utility." Gross earnings in six years have very nearly doubled and in no case has the gross shown a recession from that of the preceding year. The same statement holds true for the net.

Extent of Transmission Lines

The company has more than 1,000 miles of transmission lines which are nearly all situated on private right of way. The distribution system in cities and towns totals more than 1,200 miles of pole lines and more than 4,500 miles of wire.

Northern Michigan is well furnished with water power, but the active farming and manufacturing districts are in the southern part of the state. The farmer and manufacturer must go where power is or power must be brought to them. The latter is exactly what Consumers' Power does. Current is being carried to southern Michigan to points approximately 300 miles from where the current is generated, and in long distance power transmission this concern is said to lead all others. One of its predecessor companies constructed the first 40,000 volt transmission line, which feat was considered remarkable, then the first 70,000 volt line, following that by one of 110,000 volts, and subsequently by one, and the first one the world had ever seen, of 140,000 volts.

As all the company's common stock is owned by the Commonwealth, Power, Railway & Light Co., the outside interest



is in the company's bonds and preferred stock. There are now over 2,000 preferred stockholders, of which approximately 1,100 or 54 per cent. are women, 830 or 40 per cent. are men, and the rest estates and institutions. The fact that the company's securities are issued under the supervision of the state authorities, warrants their being regarded with more confidence by investors than is usually the case.

Future for Properties

Electrical power development in this country is still in its infancy and there is nothing to indicate that the demand for electricity in the territory served by the Consumers' Power Co. is likely to fail to show at least the average yearly rate of increase as exhibited to

TABLE 2

	1911	1912	1913	1914	1915	1916*
Gross Earnings	$2,365,920	$2,774,551	$3,155,214	$3,415,403	$3,902,069	$4,274,564
Net Earnings	$1,137,057	$1,245,852	$1,440,658	$1,907,094	$2,265,503	$2,472,974

* 12 mos. ended May 31, 1916.

date. It would hardly be reasonable to expect every year to be a "big" year indefinitely, since the demand for light and power must necessarily fluctuate with the rising and falling tide of general business activities, but the general trend of that demand has every indication of remaining on the up-tack. The territory where the company operates is an important manufacturing and agricultural section, with excellent railroad and lake transportation facilities, and the cities in it are growing rapidly. Demand for electrical energy is well diversified, for in addition to the manufacturing demand, the company has contracts for current for the operation of city and interurban railways, and in many of the cities where it operates supplies the current for municipal lighting. In four years the sales of electric current have increased more than 67,000,000 k. w. hours, as shown by the figures of 89,000,000 round figures, in 1911; 122,000,000 in 1912; 145,000,000 in 1913; 156,000,000 in 1914, and 176,000,000 in 1915. Sales for the 12 months ended May 31, 1916, amounted to approximately 213,000,000 k. w. hours.

Position of Securities

As there is no common stock, which pays 4 per cent., in the hands of the public, no comment on that issue is required. The margin of safety of earnings on the refunding 5's and divisional bonds warrant their being ranked among the better class of "utility" issues of this class. At this writing, the refunding 5's are selling around par. At no time during the last five years has the company failed to earn its preferred dividends twice over. Last year the preferred dividend was earned three times. The preferred is selling around 99 and dividend, at which price it yields 6.06 per cent.

MAP OF TERRITORY SERVED BY CONSUMERS' POWER CO.

Notes on Public Utilities

American Gas & Electric.—The subsidiaries of these companies are reporting large gains in earnings. For 12 mos. ended May 31, 1916, the subsidiaries signed up new business of an estimated annual revenue of $1,480,209. Reports from all subsidiaries for April, 1916, show average gains of 15.7% in gross, 5.1% in net and 1.2% in surplus compared with April, 1915.

American Light & Traction.—Declared regular quarterly dividends of 1½% on preferred stock and 2½% on common, also a stock dividend of 2½% on the common stock, all payable Aug. 1. Books close July 15 and reopen Aug. 1.

American Public Utilities Co.—Output of gas plants for week ended June 17 was 1,470,767 cubic feet in excess of that for corresponding week of 1915, while output of electric generating stations increased 243,112 kilowatt-hours. Increase in business with the gas subsidiaries is running as high as 29%, while increases in electrical output are running in some instances as high as 50% over 1915.

Boston Elevated.—For fiscal year ended June 30 company showed gain in gross receipts of $858,000, or 5%. It is estimated that 5% was earned as against 5.6% in 1915. The company has asked for bids for 42 new elevated cars and 100 surface cars, the latter to be of a new pattern with center entrance doors.

Brooklyn Rapid Transit.—Gross revenues for fiscal year ended June 30 show 5.5% increase over same period 1915, or $1,460,000 gain. This is largest increase in the past ten years, principally due to the large earnings the first six mos. of 1916.

Cities Service.—At special meeting stockholders approved an increase in the authorized capitalization of the company to $60,000,000 6% preferred stock and $40,000,000 common, this being an increase of $20,000,000 in preferred and $15,000,000 in common stock. At present company has outstanding $34,530,217 preferred and $18,058,826 common stock. From June 1 to June 26 Empire Gas & Fuel Co., a subsidiary operating on the Kansas and Oklahoma oil and gas fields, marketed 258,252 barrels of oil from the Augusta and Eldorado oil fields. This compares with 213,600 barrels marketed from these fields in May.

Consolidated Gas, Electric Light & Power.—The fiscal year ended June 30 was the best year in the history of the company. Gross earnings were $612,111 an increase of $73,231 over corresponding period in 1915, and balance after dividends $51,705, an increase of $45,229.

Great Western Power.—For 12 mos. ending May 31, gross earnings of the Great Western Power System, a subsidiary, were $3,385,000, an increase of $633,000. For this period the latter co. earned its interest requirements about 1¾ times, and the surplus balance of $924,000 represents an increase of $181,000.

Interborough Rapid Transit.—In June the subways carried 30,202,401 passengers, an increase of 2,753,940 over previous month, and elevated lines 26,241,280, an increase of 1,729,330. For fiscal year ended June 30, B. R. T. carried 683,742,305 passengers, an increase of 36,354,039 over the year ended June 30, 1915. Co. earned approximately 26% on its stock in past fiscal year which means an addition of over $2,000,000 to profit and loss, after payment of regular 20% dividend.

Massachusetts Electric.—In June this co. increased its gross income by $57,000, or 7½%. This compares with a gain of $43,200, or 6%, in May and $61,000, or 9.4% in April.

Montreal Water Power.—The report for the 12 mos. ended April 30, 1916, shows net profits of $204,066 against $195,727 a year ago. The company's net surplus for the year stands at $102,567, compared with $123,623 last year and $92,161 two years ago.

Ohio Cities Gas.—Earnings of this company have been estimated at the rate of 30% annually on the common stock. The company has opened up a 400-barrel well in the West Virginia field. This will equal the largest well now in the field.

Standard Gas & Electric.—The entire outstanding balance of the issue of $3,000,000 6% collateral trust notes of this company dated June 1, 1913, was paid June 1, 1916, wiping its slate clean of all short term obligations. The outstanding convertible 6% sinking fund gold bonds, due 1926, are being reduced by $1,911,500 with funds secured from the sale to the Northern States Power Co. of its holdings of Northern States subsidiaries' bonds at call figures.

Third Avenue.—During the 11 mos. ended May 31 company earned a surplus over all charges, including interest on the $22,536,000 5% adjustment mortgage income bonds of $828,332, which is equal to 5.3% on the $16,590,000 outstanding capital stock, as compared with $620,531 in the corresponding period of the previous year, which is equal to 3.74% on the outstanding stock.

U. S. Light & Heat.—Contest on for control of this company. Herbert V. Falk, member of the stockholders' protective committee of the United States Light & Heating Co. of Maine, which reorganized that company into the present corporation, gives financial results of the company for 10 mos. to April 30 last as follows: net shipments $1,365,284, final factory cost $1,165,924, manufacturing profit $199,360, loss on bad accounts reserve $10,587, net manufacturing profit $188,773, total administration expenses $339,212, net loss $150,439. Mr. Falk predicts a loss for the year to July 1, 1915, of $245,439.

Western Union.—Operating income for May was $1,340,418, against $1,132,766 in May, 1915; for the five mos. ended May 31, income was $6,671,896 against $5,236,974 last year.

West Penn Power.—Reports for May gross earnings $229,951, net $98,943, balance after fixed charges $60,599, surplus after preferred dividends totaled $48,932.

Public Utility Inquiries

Chic. Suburban G. & E.

B. S. H., Franklin, N. H.—The Chicago Suburban Gas & Electric Co. controls the North Shore Gas Co. There is $1,000,000 6% preferred and $2,750,000 common outstanding. The North Shore Gas Co. supplies gas for light and heat in the suburban district of Chicago, known as the North Shore residence district. The company's franchises are for long terms, the shortest expiring in 1946. For the year ended June 30, 1914, the last available earnings, the company earned its interest charges with a fair surplus to spare. This company serves a good territory and its earnings should gradually increase. The common stock of the Chicago Suburban Gas & Electric Co. is, however, still a very long way from dividends. The General Gas & Electric Co. controls, through ownership of securities, public utility companies which operate under franchises unlimited as to time, except in minor and unimportant instances. The properties are located in New York, Pennsylvania, New Jersey, Vermont and Ohio. Earnings of the company are just about sufficient to pay the preferred dividend. The common stock is decidedly speculative, but appears to have fair possibilities.

Utah Securities

S. J. H., Chicago, Ill.—Utah Securities Corporation is a holding company controlling public utility properties in Utah and Idaho. For the fiscal year ended March 31, 1916, this company will show all fixed charges earned and a small surplus for the $30,775,000 capital stock. Moreover, current earnings are showing a healthy increasing tendency. There are excellent people behind this company. At present prices of around 17, the stock can be said to have fairly attractive speculative possibilities.

U. S. Express

J. S. A., New York City.—The present liquidating value of the United States Express Co. is estimated to be considerably more than the price the stock is now selling for (31). Many of the assets cannot be immediately realized on, and for this reason it is impossible to give an opinion of how long it will take before the company will be entirely liquidated. Our suggestion, however, would be to hold the stock.

Portland Railway & Light

F. A. W., Dayton, Ohio.—Our suggestion would be for you to hold your Portland Railway Light and Power Co. stock. Earnings of the company are showing up better now, and in April a slight increase in both gross and net was shown. For the year ended April 30, 1916, there was a surplus, after fixed charges, of $189,681.

Phila. Co.

H. R. C., Philadelphia, Pa.—The new preferred stock of the Philadelphia Company is entitled to 6% cumulative dividends per annum, whereas the old stock is entitled to 5% but is non-cumulative. The new stock is preferred as to payment of par value and accrued dividends out of assets, upon liquidation or distribution of assets. This puts it ahead of the old preferred stock. We belive it would be to your best interests to make the exchange. The preferred stock of the Philadelphia Company can be regarded as an excellent investment security. The common stock (40) is, of course, speculative, but it appears to have good possibilities.

Standard Gas & Electric

R. S. McN., Harrison, N. J.—Standard Gas & Electric is reporting very excellent increases in earnings. For the year ended April 30, 1916, the gross total was $1,969,429, as against $1,488,381 the previous year, and surplus, after charges, was $1,072,916, as against $630,363 the previous year. This company has recently paid off all its short term obligations, and in addition reduced its funded debt by $1,911,500 with funds secured from the sale of its holdings of Northern States Power subsidiary bonds to the Northern States Power Co. The recent initial quarterly dividend of 1½% declared by the Northern States Power Co. benefits this company, as it owns 21% of the stock. In view of these favorable developments, we regard the stock as a fairly attractive speculation.

Cities Service

L. R. C., Washington, D. C.—Cities Service preferred will not participate in any way in the proposed increase in the common stock. We regard the preferred stock as an excellent investment issue. Cities Service Co. directors have decided on a policy covering dividend payments for the common stock. In addition to the regular annual rate of 6% in cash, beginning Aug. 1, 1916, common will also pay 2% in common stock on Sept. 1, and an additional 4% in common stock Dec. 1. It is also the expectation of the board to pay 6% in common stock in 1917, and thereafter to increase the dividends, paid in common stock 3% each year so long as earnings justify this policy. These stock dividends will be in addition to regular rate of 6% in cash per annum. Cities Service Co. has given to Henry L. Doherty & Co. an option on $3,000,000 of the common stock at $225 a share, also the right to purchase one-third of all other common stock which may be issued in the next five years at $250 a share. In consideration of granting of these options Henry L. Doherty & Co. will conduct all their operations in public utility properties, and oil properties in behalf of Cities Service.

MINING AND OIL

Oatman's Buried Treasures

How the Newest "Born" Mining Camp Impresses the Observer—Some of the More Important Properties—Oatman's Future.

By TOM LEWIS

OATMAN, the newest gold mining camp in the United States, supplies the basis for an interesting study. Isolated as it is in Mojave County, Arizona, on the western flank of the Black Range Mountains, the town's growth has been both rapid and substantial. When the year nineteen hundred and fifteen was in its infancy Oatman took inventory of less than five hundred residents. Today there are in excess of three thousand.

Mining is Oatman's hobby. But there are mines, and again there are mines. Some are good, others are bad, and still others are merely indifferent. But Oatman's faith is undimmed. And likewise it is unbounded. Some of the mines are sanely and adequately financed, but here as elsewhere the inevitable camp gossip is encountered, and rumors of wildcat operations are in circulation.

Lure of the Gold

Oatman being merely a new camp, must run the gamut of wild alarms. The lure of the gold is responsible for the creation of some odd fantasies. Yet in Oatman they will tell you that Oatman is more than a dream. Moreover, they will add, and with every semblance of personal belief, that the town is a living reality that has come to stay. And in the final analysis they will point to their achievements as proof of their claims. So much for faith; now for the facts.

United Eastern

It is Oatman's proud boast that there are approximately one hundred and fifty mines in the irregular chain of gold underlying the camp. Of this number it is safe to say that probably one hundred have more or less machinery on the ground or in transit. Chief among the leaders is the United Eastern. This is regarded generally, and not without good cause, as a most substantial property. The claim is set forth that United Eastern has sixteen millions in milling ore blocked out. Furthermore, a pretentious mill is among the improvements in contemplation, and extensive grading operations are under way. Costly and modern machinery will be installed. The specifications include complete hoisting apparatus and electrically propelled compressors.

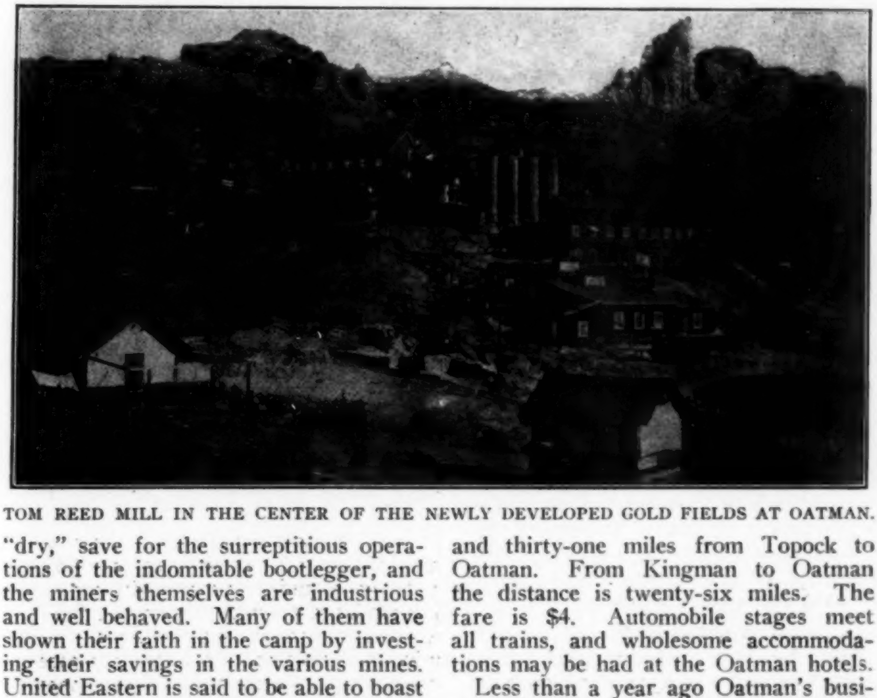
Tom Reed

In the category of the leaders must be listed the Tom Reed mine, a property that has recently undergone a change in management. It is the possessor of a good bit of desirable footage yet to be explored. Here, too, we must list the Gold Roads, the Big Jim and the Black Eagle properties. The last named is a Tom Reed holding with more than fair prospects. Again, some mining experts are inclined to give the Gold Ore mine a place of honor. It is pointed out that this mine has opened up a ledge of ore running $35 per ton. It is said that twenty-five tons are being milled daily. Oatman was over proud of Big Jim until very recently, but vigorous manipulation has shaken this confidence somewhat. The belief is general, however, that Big Jim will come into its own in the end.

It should be borne in mind that practically all of the gold in the Oatman district lies far underground. Obviously it is essential that a considerable amount of money should be spent in an effort to secure anything remotely resembling

adequate returns. Oatman will tell you that it is necessary to search below the four hundred foot level if you desire the right kind of milling ore. More often you must work at a depth of five hundred feet. This accounts for Oatman's high valuation on its treasury stock. Ten cents per share and upwards is the prevailing price, as against one cent and two cents per share during the hey-day of the Goldfield mines.

Oatman's business district and its leading mines are synonymous. At one end of the town lies the United Eastern, a scene of endless activity. At the other extremity the mines of the Tom Reed company mark the end of the town's principal thoroughfare. The camp is "dry," save for the surreptitious operations of the indomitable bootlegger, and the miners themselves are industrious and well behaved. Many of them have shown their faith in the camp by investing their savings in the various mines. United Eastern is said to be able to boast of any number of such shareholders. Some of the properties are financed in their entirety by the miners of Oatman. In like manner the merchants of the little town have invested heavily.



TOM REED MILL IN THE CENTER OF THE NEWLY DEVELOPED GOLD FIELDS AT OATMAN.

Water Supply

Oatman's water supply in part is pumped into the camp from a nearby canyon. The United Eastern also has perfected an arrangement for pumping a goodly supply of water into the town. Many of the mining companies strike a substantial flow of water at a depth of three hundred feet. The town is accessible from Needles, Topock and Kingman. From Needles the distance is eighteen miles, and the stage fare is $3.50. This route takes into consideration the ferry, but it sometimes happens that the river is out of its boundaries. In this contingency the route followed brings one into Topock, and increases the fare to $5. It is not too much, however, for the distance is forty-two miles—eleven miles from Needles to Topock, and thirty-one miles from Topock to Oatman. From Kingman to Oatman the distance is twenty-six miles. The fare is $4. Automobile stages meet all trains, and wholesome accommodations may be had at the Oatman hotels.

Less than a year ago Oatman's business district consisted of two small stores, two boarding houses, one newsstand, a barbet shop and a tiny postoffice. Today she has expanded until she is able to boast of three banks—the Arizona Central, the Citizens and the Bank of Oatman—and three hotels. Besides, there is a seven-ton ice factory and sev-

eral modern stores. In addition Oatman has a theater, a number of garages, ten brokerage firms and a stock exchange with a membership of fifty. The Business Men's Club has one hundred and twenty-five members.

In the Speculative Stage

Admittedly, many of Oatman's properties have yet to progress beyond the purely speculative stage. It is likewise true that the geological experts of the United States Government gave Oatman's gold prospects a black eye in 1908. Yet there is no gainsaying the fact that the United Eastern squelched Oatman's critics a little more than a year ago. This mine opened forty-three feet of free milling gold. The ore averaged $45 per ton, and sent the stock soaring from 5 cents per share to a figure close to $4.25. This was in excess of six millions of dollars for 1,500,000 shares. Even so, none will be found who are foolhardy enough to assert that all of Oatman's prospects will prove to be profitable ventures.

But, by the same process of reasoning, some of the country's best known mining experts have had a good word to say in Oatman's behalf. These include the wiseacres from Mexico and the veterans from Alaska. Nevada and Colorado, too, have contributed something in the way of praise. Among the mines thus favored are Black Range, Lazy Boy, Boundary Cone, Tom Reed Junior, Oatman Combination, Telluride, Lucky Sam, Oatman Queen and others. Black Eagle and Gold Roads are regarded with favor by some of the miners. Stock manipulations, which have been frequent and uncertain, do not appear to disturb the equanimity of those men who are in charge of Oatman's mineralogical development. They are persevering and sanguine.

A Clean Camp

Aside from its buried treasures, Oatman is distinctive and distinguishable because of its cleanliness. It differs from the average mining camp in that its male population does not drink to excess and goes to bed at a seasonable hour. The red lights burn, but their glow is subdued. There is a jail, but it is seldom used, and good order is maintained without a suggestion of violence.

But if Oatman's growth has been rapid, it has been none the less substantial. Those who have erected buildings seem to have planned for the future, and the opinion is widespread in Arizona and its environs that gold will be found in quantities such as will warrant mining activities for several years at least. Those of the experts who have given close inspection to the Oatman properties have added the weight of their encouragement to this belief. The area represented in the mining district is eruptive in appearance, and slight traces of gold may be found in practically every bit of rock.

Geological Formation

The Oatman mining district is criss-crossed by an interminable system of rhyolite dykes. These are hard and close together, and they have caused the formation of fissures and fractures which, when augmented by porous substances, form the initial basis for gold deposits. Just where the exact center of the Oatman district is located is purely problematical. Some of the mineralized veins and ledges are exceedingly rich, while others are decidedly poor. In certain parts of the field they consist of silicified rhyoline, or calcite, which frequently shows a heavy stain of iron manganese. In most instances the gold is evenly distributed.

Not Like a Boom Town

The food supply measures up to the usual standards, but prices are high in consequence of the long haul. The wage for laborers is $4 per day. The miner who works underground receives upwards of $5 per day. On contract work he gets $1 more per day than the schedule calls for. The workmen as a whole appear well satisfied, many of them having established permanent homes. Others are investing their surplus earnings in mining properties that happen to please their fancy. To epitomize, Oatman does not impress one as a boom town. To an unprejudiced observer there is something decidedly tangible about Oatman. She may or may not develop into a fabulously rich mining center, but the least we can do is to accord her full credit for having set forth her best endeavors. Oatman is engaged in serious business.

Mining Digest

Alaska Gold.—The June report shows 164,800 tons of ore milled, assaying an average of $1.06 per ton, against $1.40 in May. Pres. Jackling states that "the new developments started several months ago have been satisfactory as regards the character and grade of the ore bodies they are designed to open up. Progress has not been quite as rapid as we had hoped for, and the recurrence of periods of comparatively low grade production cannot be avoided and tonnage at the same time maintained until we can take full advantage of these newer developments."

Aluminum Co. of America.—Company is completing expenditures of $25,000,000 to $30,000,000 on plants which are expected to raise the production of aluminum in this country to 200,000,000 lbs. per annum. The original investment was about $2,000,000. The expansion has come from earnings.

Anaconda.—The report for the 12 mos. ended June 1 shows net profits of $14,363,881 or a trifle over $6 per share on the 2,311,000 shares, but this net is arrived at after charging into operating expenses $8,715,881 expended for improvements. June output was 28,100,000 lbs. of copper. The output for the first 6 mos. of 1916 was 164,500,000 lbs. against 112,200,000 for same period of 1915. The operation of the electrolytic zinc plant which Anaconda has erected at large expenditure to handle the thousands of tons of zinc ore which heretofore have not been amenable to treatment will be delayed until Oct. 1.

Braden Copper.—For the 15 mos. ended March 31, 1916, this company reports a gross income from copper sales of $9,063,212 and operating costs of $4,501,048, leaving a net profit of $4,562,164, which interest charges and discount on bonds reduced to a net income of $2,249,977. There were milled during the first quarter of 1916, 371,852 tons of 2.15% ore, the production being 12,802,898 lbs. of copper at average cost of 9.67 cents per lb. Net earnings were $1,940,783. The plant is being increased to 10,000 tons daily capacity. When in full operation it is estimated this plant will produce 136,800,000 lbs. of copper per annum.

Butte & Superior.—J. L. Bruce, general manager of the company, states that "developments of the 1,700 and 1,800-foot levels shows larger and higher grade ore bodies than the 1,600 level, though on that level the ore shoot is 1,600 feet long.

Calumet & Hecla.—Since Jan. 1 this company has purchased $1,000,000 of its 4% notes, which leaves but $1,764,000 outstanding of an original issue of $8,500,000. This is the only capital liability to represent Calumet's $20,000,000 investment in subsidiary company shares. The present market value of the parent company holdings is about $20,000,000, so that deducting the outstanding notes the equity is $18,250,000, or $182 per share on Calumet & Hecla's 100,000 shares.

Consolidated Coppermines. — The report for the first four mos. of 1916 shows receipts $24,936; expenditures, $28,912; deficit, $3,937; cash balance Dec. 31, $7,655; cash balance on hand April 30, 1916, $3,679.

Consolidated Interstate - Callahan. — This company's ore reserves amount to 350,000 tons, sufficient on basis of present operations to last for more than three years. The year ended March 31, 1916, company earned $3,309,321 net, or $7 per share on the 464,990 shares outstanding.

Copper Range Co.—Present earnings are estimated at the rate of $20 a share. It is reported that the better milling equipment and methods, recently installed, will increase the life of this mine which is now producing about 42,000,000 lbs. annually at a cost of only 8.06c. per lb.

Delaware, Lackawanna & Western Coal Co.—Has declared an extra dividend of 10% in addition to the regular quarterly dividend of 2½%. This company declared a 50% extra dividend a year ago. The stock outstanding amounts to $6,590,700, and profit and loss surplus June 30, 1915, after providing for the 50% extra dividend was equal to 38% on the stock.

Eagle & Blue Bell.—May earnings were $28,000, compared with $16,956 in the previous month. Present earnings are double those of last year.

East Butte Copper.—June production was 1,639,560 lbs., a record output and comparing with 1,517,000 lbs. in May. The report for the year ended June 1 shows the gross value of the 240,120 tons of ore mined, $4,505,700, net profits, $1,070,069.

Federal Mining & Smelting.—May net after all deductions, including depreciation, amounted to $150,609. Five months net amounted to $506,350. At that rate net for this year would amount to over $1,200,000, or 10% on the preferred stock.

Granby Consolidated. — Figuring unsold copper at 27c. a lb. this company in the first 11 mos. of the fiscal year to May 31 shows earnings of $4,500,000. For the full fiscal period earnings are estimated at $5,250,000. For the month of May alone they exceeded $800,000. From these earnings must be deducted dividends and interest charges. Development work has been carried on at the Hudson Creek mine and the Midas mine in Alaska, and it is understood new tonnage will be added to ore reserves by the time the next annual report appears.

Goldfield Consolidated.—May production was 32,400 tons, from which resulted net realization of $50,693; 2,658 feet of development work was performed, at a cost of $5.59 per foot.

Greene-Cananea.—It is reported that this company's property at Cananea, Sonora, 50 miles from Nogales, is guarded by a strong garrison under Gen. Zayas, who has promised absolute protection while the mines are suspended. The mines are running at 50% ca-

pacity with the help of Mexicans and extra efforts are being made to operate the company at full capacity.

Inspiration Consolidated Copper Co.—Earnings for the six mos. ended June 30 are estimated at $8,750,000. Assuming all bonds converted, these earnings would have been equivalent to $7.30 a share on the 1,182,755 shares. There are now outstanding but $32,700 bonds. This company produced in the year 73,000,000 lbs. of copper at a cost of less than 9c a lb.

Iron Cap Copper Co.—May production was 172,422 lbs. of copper at a cost of 12.24c. per lb. Net earnings were $28,124, exclusive of construction.

Isle Royale.—Estimated company could earn at rate of $1.50 per share on 15-cent copper and $3 on 18-cent copper. At the present time Isle Royale is believed to be earning $9 or $10 a share annually.

Kennecott.—June production was 10,500,000 lbs., the same as the previous month. On July 5 surplus of cash and quick assets amounted to $18,037,000 after its recent dividend of $1.50 per share, calling for $4,200,000, had been paid. Its cash assets in hand are equal to almost $7 for each share of the corporation's outstanding stock.

Kerr Lake.—In June this company produced 237,942 ounces of silver, compared with 234,598 in May and 225,423 in April.

Lehigh & Wilkesbarre Coal Co.—Earnings for fiscal year ended June 30 estimated to be at the rate of 28% on the $9,212,500 stock. Company in the past five years has earned an average of 33.5% each year. It pays 13%. Of the $9,212,500 capital stock, $8,490,400, or 92%, is owned by Central Railroad of New Jersey. Reading, in turn, owns 53% of Jersey Central's $27,436,800 capital stock.

McIntyre.—This company's ore reserves are now making a good showing. On March 31 last there were 202,000 tons, valued at $11 per ton, or $2,247,000 in reserve, as against 109,000 tons, valued at $854,000, a year ago. This estimate does not include the strike on the 1,000-foot level and includes only 11 feet of the strike on the 700-foot level. Pres. Alexander Hay states that the last weekly report showed operating profits of $14,000, or at the rate of $728,000 per annum, equal to 24c. per share on the 2,984,985 shares of a par value of $1 outstanding. With the McIntyre mill extensions completed and with arrangements for bringing ore from the Jupiter and McIntyre. Extension properties finished, and with the ore reserves augmented by new discoveries, McIntyre should make a better showing this year than it ever has before in its history.

Miami.—Declared quarterly dividend of $1.50 a share. Estimated earnings for the half year to June 30 are $3,476,360, equal to about $4 a share. Miami has net quick assets, consisting of cash and copper sold, of $4,000,000, or $5.25 per share on 747,112 shares. Cost of producing copper in first half of 1916 was a trifle less than 9c. a lb.

Mohawk.—Declared semi-annual dividend of $10 a share payable Aug. 1. This compares with $7 paid in February. This dividend calls for the disbursement of $1,000,000 and will make $55.75 per share or total disbursements since organization of $5,575,000. Mohawk's aggregate dividend payments in 1915 amounted to $6 per share.

National Zinc & Lead Co.—Declared regular monthly dividend of 4% and an extra dividend of 1%, payable July 31 to stock of record July 21.

New Jersey Zinc.—With the payment of the extra 10% dividend on July 10 and the regular quarterly dividend of 4% on Aug. 10 there will have been disbursed this year a total of $52 a share, requiring the payment of $18,200,000 on the $35,000,000 capital stock.

North Butte.—Report for year ended June 1 shows net profits of $1,229,339, or $2.86 per share on the 430,000 shares. The report for the June 30 quarter is expected to show an improvement over the previous quarter.

Old Dominion.—Smelter output in June was about 3,800,000 lbs. of copper, a high record. Of this 3,000,000 lbs. represented the company's own output. For the 6 mos. ended June 30 company's production totaled 16,500,000 lbs. of copper. Figuring costs of production at 10¼c., earnings the past six mos. were close to $2,700,000, or $9 per share on the 300,000 shares outstanding. Dividends amounted to $5.50 per share, or over half the net.

Quincy Mining Co.—Production for 6 mos. to June 30 will approximate 11,000,000 lbs. at average cost of 11c. It is estimated earnings for the half year were $1,540,000 or $14 per share. Company paid dividends totalling $7 per share in these 6 mos.

Ray-Hercules.—This company will build a 1,000-ton mill to cost about $300,000, which will have a housing capacity for a 2,000-ton plant. This will take about 18 mos. to complete.

Shannon Copper Co.—Produced 1,000,000 lbs. of copper in June and earned about $100,000 net. The average cost of producing copper was 16.6c. For the 5 mos. ended June 30 Shannon earned about $420,000, or nearly $1.50 per share on its 300,000 shares. For the past 3 mos. earnings have been at the rate of $4. The company now has net working capital of $1,000,000, which compares with $555,000 on Dec. 31 last.

United Verde Extension.—C. P. Sands, secretary of this company, states that they have "cash on hand, as of July 1, 1916, of $793,883, and there is due us from ore shipped approximately $1,000,000, making a total of $1,793,883. Although we have this surplus available, it has been decided to accumulate a larger surplus for the purpose of developing the property and constructing necessary reduction."

Mining Inquiries

Inspiration

L. A. B., Albuquerque, N. Mex.—Inspiration ore reserves as given in Slattery & Co.'s Copper Book—97,142,700 tons of an average of 1.63 per cent. copper is approximately correct. It is estimated that Inspiration will not use up more than about 5,000,000 tons per annum, so that this would give a life of about twenty years. This represents Inspiration Ore reserves at the present time, but not all of the mineralized area has been explored. There are possibilities therefore that more will be developed. Of the present ore reserve, some 75,000,000 tons are higher grade, averaging 1.71 per cent. copper. Taking this only into consideration, it is estimated that Inspiration has an amortized value of $76 per share, estimating copper at 16c. It is our opinion that copper metal has about seen its high prices, and the tendency from now on will be downward. Enormous increase in the production of copper is beginning to make itself felt. Once the reaction starts in in earnest, it is likely to be very severe, and may bring copper down to levels as low as it has ever been before, and for that reason we are not generally suggesting the purchase of the copper stocks at the present time for the long pull. An exception might be made to Nevada Consolidated, as stock of this company has not advanced as has the other coppers. Nevada Consolidated also has fairly good possibilities of developing further tonnage. We regard this stock as an excellent copper investment issue. Utah and Inspiration are also excellent copper stocks, but we believe the opportunity will be presented in the not far distant future of getting aboard at lower prices.

Int. Nickel

S. A. H., Cleveland, O.—International Nickel's earnings are reported to be running at the rate of about $8 per share per annum. The recent annual report of the company showed $11,748,279 surplus available for dividends as against $5,598,071 the previous year. This remarkable increase in earnings was due to an increased demand for nickel. The price of nickel, however, was kept at a reasonable level. The increased demand for nickel came from two sources: the munition factories and the automobile people. When the war is over the demand from munitions factories, of course, will fall off, but the demand of the automobile industry for nickel steel will continue to be just as pressing as it has been.

National Zinc & Lead

R. O. D., Boston, Mass.—National Zinc & Lead is capitalized at $500,000, par value $1. The company was organized in June, 1915, to develop lead and zinc claims at Webb City, Mo. In view of the newness of this company it is impossible to say whether it will be able to earn profits or not, with spelter selling at a normal price of around 5c. a pound. The production of zinc in this country has increased greatly and the effect of this is being felt in prices, which are showing a distinctly downward tendency. We believe the price of spelter will continue to work lower, and we do not favor any of the zinc stocks. Our suggestion would be for you to sell out and pocket your loss.

Gt. Northern Ore

R. E. H., Monroe, N. Y.—Great Northern Ore (36), in 1915, earned 70c. a share, in 1914, 54c., and in 1913, 71c.; 1916 earnings are expected to be better, but it is not thought that the company will undertake a more liberal dividend policy than its present one of 50c. per share per annum. There is considerable development work to be done on its properties, and the company can use to advantage all funds in excess of the present dividend requirements. At present prices the stock would appear to be selling high enough, in view of its earning power. In 1915 the stock was apparently very much over-bulled, and its recent decline has been a gradual appreciation of the fact that it was put up too high.

Tennessee Copper

F. M. W., San Francisco, Cal.—Tennessee Copper, at present prices of around $35, should be regarded as a risky speculation. The fire at Copper Hill prevented the company from fulfilling its contract with the Russian Government, and this is likely to mean a considerable loss to the company, as the Russian Government may exact a severe penalty. It was this that caused the passing of the dividend. Outside of this matter the company is doing very well, and should matters be arranged on a fairly satisfactory basis with the Russian Government, it is quite likely that the stock will have a good recovery. Until this question is settled, we believe it the wisest policy to leave this stock alone.

Amer. Smelting & Refining

B. T. H., Jersey City, N. J.—American Smelting & Refining's earnings are only dependent on the price of copper metal, in that when the metal is selling at a high figure this company receives more business, as the producing companies are then naturally anxious to make their output as large as possible while the high prices prevail. Smelters is earning at the rate of 30% per annum, and we believe, therefore, that it is a good issue in which to average holdings. In view of the general downward tendency of the market at the moment, we believe you would do well to try to average somewhat under present levels.

Oil Notes

Associated Oil Co.—Reported to be earning at rate of about 12% per annum on the $39,750,000 capital stock. Company now pays 4% per annum. The recent improvement in California Oil trade conditions has benefited this company.

California Petroleum.—Excess of current assets over liabilities on May 31 was $1,185,930. Earnings are said to be increasing. Current assets of the company consist of cash in banks $256,346; accounts receivable, $151,199; notes receivable, $112,643; oil inventories, $469,463; other inventories, $335,708; total, $1,325,358.

Cosden & Co.—Declared cash dividend of 50% payable Aug. 6 to stock of record July 20. Stockholders have till Aug. 4 to decide whether they will take the dividend in cash or stock at par, to the amount of this dividend. The dividend if taken entirely in stock will increase capitalization of company to $6,000,000.

Cosden Oil & Gas.—A special stockholders meeting has been called for July 24 to increase authorized common stock from $5,000,000 to $9,000,000, and also to authorize issue of $6,000,000 6% notes. Increased capital is to provide for conversion of notes, proceeds of which will be applied in payment for Hill Oil & Gas Co. properties recently purchased. Allowing for conversion of entire issue of notes at $15 and conversion of preferred stock at $15 there will be outstanding about 1,333,000 shares of common stock and a little less than 500,000 shares in treasury.

Indiana Pipe Line.—Declared regular quarterly dividend of $2 a share payable Aug. 15 to stock of record July 22.

Midwest Refining.—An officer of the company states that during first half of 1916 company refined 50% more crude oil than during corresponding period of 1915. The refineries at Casper and Greybull are running at full capacity and extensive enlargements are being made at these plants. Other developments are planned which will add largely to the scope of the company's business.

Muskogee Refining Co.—Declared regular monthly dividend of 1% and extra dividend of 2%, both payable July 25 to stock of record July 15. Directors decided to pay dividends at rate of 5% quarterly for balance of year, instead of 1% monthly, and an extra dividend of 2% each quarter, as heretofore.

Omar Oil & Gas.—Listed on New York Curb. Has acquired property or lease interests on over 1,000 acres of proven oil and gas territory belonging to Noah F. Clark, formerly president of South Penn Oil Company, and his associates. Property is situated in proven oil fields of West Virginia, Kentucky, Ohio and Wyoming. Building is under way.

Pennsylvania Gasoline Co.—Pres. Warren announces a shipment last week of three carloads of gasoline, aggregating 24,000 gallons. This firm manufactures its gasoline from natural gas and controls over 25 square miles of wet gas lands in Pennsylvania on which 31 wells have been drilled, all resulting in producers. The gas produced yields two and a half to four gallons of gasoline per 1,000 cubic feet. After removing the gasoline the gas is sold for fuel and lighting purposes. Three gasoline plants are at present in operation and additional units are to be installed.

Producers' Oil Co.—This company, which is a subsidiary of the Texas Company, and which controls many oil properties in Texas, Oklahoma and Louisiana, declared a cash dividend of $6,000,000, or 200% of its capitalization.

Savoy Oil Co.—Declared regular monthly dividends of 1% and 1% extra, payable July 25 to stock of record July 15.

Sinclair Oil & Refining Co.—Declared an initial quarterly dividend of $1.25, payable Aug. 10 to stock of record Aug. 1.

Texas Co.—For fiscal year ended June 30 earnings are estimated to have exceeded $40 per share on the $37,000,000 stock, although the company will report less. Production is now running at rate of over 21,000,000 barrels yearly. This company owns valuable terminals at Tampico, but it is believed these will be afforded full protection by American gunboats and marines. Shipments of oil from here have stopped. The company has been importing about 200,000 barrels of Mexican crude a month for refining in Texas plants and for sale as fuel oil. It isexpected that shipments can be resumed in the near future. The company is now building 35,000 tons of new tank steamers.

Tide Water Oil Co.—Is now gradually enlarging its gasolene production and it is reported that it will be producing about 175,000 gallons of gasolene a day, or about 3,500 barrels by early August. This company has its own pipe lines, tapping practically all of the oil fields of the United States; it also has its own oil producing fields in Pennsylvania, West Virginia, Ohio, Illinois, and very large holdings in the Cushing field in Oklahoma. Hayden, Stone & Co. and Eastman, Dillon & Co. have purchased a large block of this company's stock and it is understood they will offer this stock to their clients at $185 a share. This is the first time since the formation of the company in 1878 that the public has had an opportunity to own any of these shares.

An investment in Public Utilities is as safe as an investment in Government bonds, if you are as careful in your selection of the " Utility " as you are of the Government.

Oil Inquiries

Pierce Oil

F. A., Chicago, Ill.—Pierce Oil is no longer connected with the Standard Oil Company. This company's earnings have recently shown improvement. 1914 there was a deficit, and in 1915 the company earned a very fair surplus. The outlook for 1916 is for still better earnings.

Two of the company's important oil properties are located in Mexico. The company is friendly to the Carranza interests, and it is not thought likely that their properties will be injured even in case of war with the United States. At present prices of around $13 we believe the stock to be a fairly attractive speculation. The company is in strong financial condition.

Cosden Oil & Gas

S. V. I., Philadelphia, Pa.—Cosden Oil & Gas has an authorized capitalization of $3,500,000, 7% cumulative preferred and $5,000,000 common, par value $5.00. The preferred carries with it the privilege of conversion into common at $15 per share. This company was formed to develop and operate oil lands which Cosden Refining Co. now holds under lease, and other properties which it is expected to acquire. An agreement was entered into between the two companies whereby the Cosden Oil & Gas Co. sells its output to the parent company. The company, therefore, has a market for its oil. It is now producing about 10,000 barrels of crude oil daily. New properties secured will undoubtedly increase this output shortly. It is estimated that earnings at the present time are running at the rate of close to 100% on the company's outstanding common stock. Dividends of 2½% are being paid quarterly on the common. Of course, these earnings must be regarded as temporary because of the high price now prevailing for oil. At present prices of around 14, the common stock appears to have fairly attractive speculative possibilities. It has had a good advance recently, however, and may be due for a reaction. The preferred stock can be regarded as an attractive semi-speculative investment and there are possibilities of its conversion privilege becoming valuable. The properties of the company are located in the Cushing Field. The management is the same as that of Cosden & Co. J. S. Cosden is president and A. W. Gieske vice-president. This management is regarded as excellent in oil circles.

Galena-Signal

J. C., Brooklyn, N. Y.—Galena-Signal Oil sells around 157, and pays 12% per annum, which gives a return on the money invested of 7.6%. We regard this as one of the best of the Standard Oil stocks for purchase for investment purposes. This company has a very well established staple business, and is not much affected by periods of depression or decline in the price of oil. It supplies lubricating oil to the railroads and nearly all the important systems in this country are its customers.

N. Y. Transit Co.

D. W. A., Akron, Ohio.—The capital stock of N. Y. Transit Co. is $5,000,000 par value $100. For the year ended Dec. 31, 1915, the company's profits amounted to $813,729, equal to 16.2% on the stock. This compares with 28.7% earned in 1914. The company owns and operates the main trunk line about 300 miles in length, extending from Olean, New York, to Unionville, New York. The oil is transferred to the private pipe line of the Standard Oil Company of New Jersey. It has a branch line 56 miles long from Olean to Buffalo. The main trunk line is a triple six inch line capable of handling 45,000 barrels a day. N. Y. Transit is assured a heavy and profitable traffic at all times, since it supplies large refineries of the Standard Oil Company of New York at Long Island City and Buffalo, and refinery at Bayonne of the Standard Oil Company of New Jersey. It is understood that earnings for the current year will show up better than those of 1915. The company is in very strong financial condition. The current assets are equal to more than the par value of the common stock. At present prices of around 190, it appears to be selling at a reasonable figure, and our suggestion would be to hold your stock until you can get out at least even.

Ohio Oil

S. B. R., Kingston, La.—There is no available information in regard to just what Ohio Oil is earning on its stock at the present time. This company is a very large producer and is, of course, greatly benefiting by the high prices now prevailing for oil. Recently, it has been reported that some good wells have been brought in. The company is in remarkably strong financial condition and has a profit and loss surplus of over $70,000,000. There is $15,000,000 capital stock. One reason the stock is selling as high as 230 is that the company may cut a melon at any time (100 per cent. stock dividend recently declared). Should the present high prices of oil continue for some time longer, this stock has possibilities of going higher.

Oil & Explor. Co.

E. H. A., Pompton Lakes, N. J.—Nevins Electric which has changed its name to the Oil & Exploration Co., owns a patented instrument which it is said is valuable in locating oil and mineral deposits. Whether the instrument is of any value in this line or not has apparently not been definitely proven. The stock, of course, is a mere speculation. There is still a market for Nevins Electric on the New York Curb. It is 1/16 bid. We do not believe the stock has great possibilities.

TOPICS FOR TRADERS

"Short" Selling

Opportunities to Make Profits on the Short Side of the Market Are as Good, If Not Better, Than on the Long Side and No Greater Risk Is Involved—The Principle of Short Selling Explained

By M. FREDERICK LEWIS

WHILE short selling is just as simple an operation as buying and offers just as good if not better opportunities for profits in the stock market, the general speculating public are inclined to avoid this operation. Moreover, there exists a rather remarkable lack of knowledge on the part of many intelligent people as to just what short selling means and how it is handled by the brokers.

It is difficult for the beginner to understand how something can be sold that is not possessed. At first thought it almost has the appearance of being dishonest. The explanation is, of course, that you sell stock which, although you do not possess it at the time, you will possess it in the future and in the interval you know that you will be able to borrow the stock and deliver it to the purchaser at once.

To take a practical illustration. Suppose a publisher has put out a hundred thousand sets of books of a well known author, all alike. Suppose these sets are selling for ten dollars a set wholesale and you have good reason to believe that within six months the price will be $7.50 per set, as the edition is not selling very well and sooner or later will be sacrificed. You now go to a book store that you hear is interested in the edition and sell 5,000 sets at $9.50 which you can do as you have cut the price. You have none of these sets yourself so you can go to another firm who, you are privately informed, has purchased 20,000 sets and cannot sell them readily. They are glad enough to loan you 5,000 sets in return for a money loan at reasonable interest rates. You deliver these 5,000 sets to your customer.

A Practical Illustration

In a little while the original publishers find the market poor for their books and are willing to sacrifice the price to get rid of them. You put in a bid of $7.50 for 5,000 sets, the bid is accepted and you deliver the books to the firm you borrowed the 5,000 from and get your loan back. Your profit then is $2 a set. All that was necessary in this case was knowledge of trade conditions and the tying up of a certain amount of money until the deal went through.

Now in regard to stocks the case is the same except that the operation is much more simple. Nearly all stocks that have a fairly active market can be easily borrowed and your broker attends to the entire matter for you. All you do is to give your order to sell, and cover at your leisure.

A Simple Operation

Suppose you put in an order to sell 100 shares of United States Steel short and the order is executed at 86. On a transaction of this kind the broker would require at least $1,000 margin which would protect him if the stock went against you, that is to say advanced. For every point the stock advances you stand to lose $100 and for every point it declines you win $100 less commissions. Should United States Steel decline you give your broker an order to purchase 100 shares at say 84 and if this order is executed your profit will be $200 less commission and tax, or $171.

So easily are short sales made that it is not necessary to tell your broker whether you are selling the stock short. A client simply tells his broker to sell, if he wishes a short deal made and to buy if he wishes to go long of the market. It makes little difference whether you buy first or sell first so long as you buy at a figure which is less than the price at which you sell. In fact the profit is greater if you sell first and buy last as in that case there will be no interest charges to pay.

No Interest Charges

That this saving of interest is no small matter anyone who has traded extensively in the market will agree, interest is a steady drain that eats up profits surprisingly. It is true that any dividends that come off the stock while you are short must be paid, but if you are right in your guess that the stock is bound for lower levels these dividends will come off the price of the stock when it sells "Ex" and what is lost by paying the dividend will be gained by profits taken when the stock is covered.

For some unaccountable reason many people believe that there is more risk involved in going short of a stock than long. Perhaps the idea has been instilled in their minds by stories of stocks in the past that have been "cornered" causing the financial ruin of operators that were short. As a matter of fact in the past a "corner" has not occurred more than once in a decade and is not likely to ever occur again on the New York Stock Exchange. As a result of the investigation into the affairs of the Stock Exchange not so long ago the board of Governors are now keeping a much stricter watch that everything is as it should be and it is reasonably sure that any attempt to corner a stock would meet with immediate disapproval and be stopped at once.

How to Limit Risk

You can of course go short of the market and limit your risk by the use of a stop loss order, put in at any given point above your selling price. For example, you sell 100 Union Pacific short at 136⅜ and desire to limit your loss to about three points. You would then put in a stop order as follows "buy 100 Union Pacific 139⅛ stop." Union Pacific would then have to sell at 139⅛ before your stop loss order would go into effect.

A two or three point loss on the short side seems to worry most people more than a ten point loss on the long side although there is no earthly reason why it should. Speculators hung up with long stock at much higher prices are often wont to say "It's a good stock and will come back some day" and carry the stock for months and months paying interest and tying up their money so that they miss many opportunities to make profits in other ways, yet they would consider it folly to stay short of a stock that length of time.

As a Hedge

Very often a speculator believes that the tendency of the market is downward, but is so great a believer in the stock he is long of, that he decides to hold it anyway. Now if this speculator is experienced and used to selling short he will go short of some other stock that he does not think much of, as a hedge. Then if the market breaks he can cover his shorts at a profit and purchase still more of his favorite at perhaps a lower price. Under these circumstances, although he has kept his long stock, the break in the market not only did not hurt him but was a source of profit.

The advantage of the man that plays both sides of the market over the man who strictly limits himself to one side is so great that it is difficult to see how the latter can ever make money consistently over an extended period of time.

How Stocks Are Borrowed

While practically all the stocks listed on the New York Stock Exchange can be sold short safely as far as regards the ability to borrow the stock is concerned, it is well to inquire of your broker how the borrowing demand is in case of inactive issues. In the case of the more active issues the

various financial newspapers publish a list of stocks every day showing the loaning rates. By that is meant the interest that is paid to the broker (who borrows the stock) for the use of his money. This interest rate is close to the call money rate in the case of stocks which can be easily borrowed and is lower in the case of stocks which are in greater demand. When the stock is loaned flat no interest is paid on the money lent and indicates that there is not much stock around available for borrowing. Sometimes, but this does not happen frequently, a stock is loaned at a premium, that is to say, the borrower has to pay so much per day for the use of the stock and gets no interest on his money. This occurs when the borrowing demand is very urgent and the supply of stock small. The accompanying table shows how the loaning rates of several of the active issues stood on July 14.

LOANING RATES

Name	P. C.
Am. Smelter & Ref. com	5¼
American Sugar	4
Anaconda	5¼
Atchison	3
Baltimore & Ohio	2½
Brooklyn Rapid Tr.	2½
Canadian Pacific	3½
Chesapeake & Ohio	4
Ch. M. & St. P.	4
Chi. Rock Isl'd & Pac	2½
Erie	4½
Illinois Central	1½-2
Lehigh Valley	3½
Louisville & Nash	Flat
M. K. & T. pfd	Flat
Missouri Pacific	Flat
New Haven	3½
New York Central	4
Northern Pacific	3½
Pennsylvania	2½
Reading	4½
Southern Pacific	3½
Union Pacific	4½
U. S. Steel com	5½
U. S. Steel pfd	3
Western Union	2

The manner in which this borrowing of stocks is carried out is as follows: When the Exchange closes for the day the brokers assemble for the borrowing and lending of stocks and this assemblage is known as the "loan crowd." The brokers who wish to borrow stocks getting their requirements filled by brokers who wish to loan stocks. When the loan is made the borrower pays the lender the market value of the stock. During the life of the loan the amount of money deposited may be made to correspond to the fluctuating value of the stock.

Dangers to Guard Against

Selling short issues not listed on the New York Stock Exchange should be gone about more carefully as they are not subject to the careful surveyance of this institution. Many stocks are traded in on the New York Curb, for example, the floating supply of which is very small and should the insiders operating in the stock be able to build up a large short interest they would be in a position to practically corner the stock and make the shorts pay heavily. Before going short of an outside stock, therefore, it is well to first have your broker find out if there is a fairly large floating supply.

One of the first things that market experience teaches is that the advantage is all in favor of the operator that plays both sides of the market. Unless, therefore, you enter the market from an investor's standpoint only, get used to selling short. There is an old saying "Whatever goes up must come down."

Not for Rockefeller!

The Rockefellers have conscientious scruples against putting money into companies that make alcohol, tobacco or powder. Not a bond or a share of such companies are or ever have been held by the Rockefellers, who otherwise are latitudinarians in their investments. —*New York American.*

Technical and Miscellaneous Inquiries

"At the Opening"

Q.—I telegraphed an order to buy Midvale at 58 in time to be received in New York before the opening of the market. The boards here show it opened at 57½. My broker wires he bought at 58. Why didn't he buy at the opening price? Also, the following Saturday, April 22, the report on Midvale stood as follows: High, 59¼; low, 57; close, 57. Why doesn't the market open up at the closing price of Saturday, viz., 57, or in other words, how is the opening price made?—R. F., Chicago, Ill.

Ans.—If your order to purchase Midvale at 58 arrived before the opening of the market and the opening price was 57½, we should say that your order received rather poor execution. Even if it was an odd lot, you should not have paid more than 57¾ for it. We suggest that you bring those facts to the attention of your broker. There is no reason why the market on a stock should open at the same price it closed the day before. The market in a stock is made by the buying and selling orders which are put in. Naturally, over night orders collect and as a rule the opening price is likely to show considerable variance from the previous day's close, especially if any important news has appeared in the meantime.

Undelivered Certificates

Q.—In March 1915, I purchased 50 shares of Wabash preferred from one of the oldest and most reliable members of the Chicago Board of Trade, this was before the reorganization of the Wabash R. R. and I didn't demand my stock certificates until one year later, in March of this year. The firm seems to be unable to furnish the certificates as we have had considerable correspondence and they say they will forward them as soon as they receive them from their New York correspondent. Kindly advise me if I can force this firm to furnish me the certificates or to a settlement in case they are unable to furnish the certificates. I failed to pay the assessment on this stock at time of reorganization. What would be a reasonable settlement for this stock in this case?—W. T. R., Tingley, Iowa.

Ans.—If it was the fault of your broker that you did not get your Wabash preferred stock in time to pay the assessment and enter the reorganization, it would appear to us that you are entitled to recover from the broker the sum of money which you have lost by not having entered the reorganization. The old Wabash preferred stock is now worthless. As to whether your broker was to blame or not, under the circumstances you describe, is another question. August 30, 1915, was the final date for the deposit of Wabash stock under the reorganization and if it was not deposited by that date and the assessment paid, it became of no value. As you state in your letter that you did not ask for your stock until March, 1916, your broker's delay at that time did not cost you anything. At present prices for Wabash, it would appear that your loss by not entering the reorganization has been small. Preferred stockholders paid an assessment of $30 per share for which they received 50% of their holdings in new Wabash preferred "A" and 50% of their holdings in new Wabash common stock. Wabash preferred "A" is now selling around 50 and the common around 15. This would have given a value to your holdings, if you had entered the reorganization, of $1625.00 against which you would have paid an assessment of $1500.00, leaving a balance in your favor of $125.00, from which should be deducted about $65.00 interest on the $1,500.00 you would have had to put up. At present prices, therefore, you are out only $60.00

Chicago Quotations

Q.—How are the New York Ticker Service stating quotations of sales on the New York Stock Exchange received at Chicago and distributed to various brokers? Also what charge is made for this service by concern forwarding sales, etc.?—G. W. S., Chicago.

Ans.—Quotations of stocks on the New York Stock Exchange are sent to Chicago in two ways. The Western Union sends the quotations to a central station in Chicago. From this central station, a ticker service is operated and sold to the various brokerage houses. There are several houses, however, which have direct private wires to New York and receive quotations directly over this private wire. Just what the charge is for a ticker service operated from the central office in Chicago we are unable to say. Any broker in Chicago can tell you this. The charge for a private wire varies, depending on the number of hours each day it is to be used.

Transfer Signatures

Q.—I have received a letter from the transfer agents for the companies in which I hold stock, asking me to sign a card with my address and name and return it to them so that they may properly protect me against the fraudulent transfer of the stock, by having a specimen of my signature on file.

Will you kindly advise me as a subscriber whether this is a regular procedure on the part of transfer companies, and whether I should comply with their request in the best interest of myself?—C. C. T., Schenectady, N. Y.

Ans.—We see no reason why you should not comply with the request of the transfer agents, that you sign a card with your name and address and return it to them so that they may compare your signature should any stock signed by you come in. It is not unusual for transfer offices to request signatures in this way. You should be careful, of course, that your name is requested for this purpose only, that is to say, there should be nothing on the card other than your name and address.

Bargain Indicator Showing Comparative Earnings

NOTE.—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

Railroads	Present Div. Rate	Dividend Yield on Present Price	Dollars Earned Per Share 1909	1910	1911	1912	1913	1914	1915	1916	Present Price	Earnings Last Fisc. Year on Present Price	INTENDING PURCHASERS should read all notes carefully and consult "Investment Digest." We gladly answer all inquiries of yearly subscribers.
Colo. & Southern 1st pfd	$0	0%	25.9	34.7	27.0	17.6	19.6	4.8	12.1	....	58	20.9%	Earnings improving.
Minn. & St. Louis pfd...	0	0	—2.4	1.9	1.5	—11.9	7.7	—1.0	3.2	....	17	18.0	Readjustment of capital.
Pitts., C., C. & St. L. com	4	4.8	9.8	6.1	7.0	10.9	—2.0	0.9	9.4	....	83	11.3	Pfd. and com. share alike above 5%.
N. Y. Central	5	4.7	7.7	6.0	5.7	2.2	5.9	4.0	11.1	....	103	10.6	Record earnings.
Delaware & Hudson.....	9	5.9	12.2	12.5	12.3	13.0	14.5	10.8	14.5	....	151	9.6	Traffic heavy.
Atchison	6	5.8	12.1	8.9	9.3	8.2	9.5	7.4	9.2	....	104	8.8	Record earnings.
Brooklyn Rapid Transit..	6	7.0	4.2	5.6	6.8	8.3	9.2	8.7	7.4	....	85	8.7	Earnings show increase.
Union Pacific	8	5.8	19.1	19.2	16.6	13.8	15.1	13.2	11.0	....	138	7.9	Record earnings.
Lehigh Valley (par $50).	5	6.4	7.7	11.5	8.3	6.6	8.5	6.3	6.0	....	78	7.7	Earnings good.
Pennsylvania (par $50)..	3	5.2	5.5	4.7	4.3	4.7	4.5	3.4	4.3	....	57	7.5	Large freight tonnage.
Southern Pacific	6	6.1	10.2	13.0	9.6	7.9	9.8	7.5	7.2	....	98	7.2	Record earnings.
Great Northern pfd.....	7	5.9	8.3	8.5	8.3	10.3	11.6	9.2	8.3	....	118	7.0	Large equity in C., B. & Q.
Twin City Rapid Transit.	6	6.1	9.9	7.2	7.3	7.5	7.7	8.1	6.8	....	98	6.9	
Chesapeake & Ohio......	0	0	6.4	10.0	5.1	6.8	5.2	4.7	4.2	....	61	6.8	Record earnings.
Norfolk & Western com.	7	5.4	8.7	11.6	8.9	9.9	10.6	8.9	8.8	....	129	6.8	Controlled by Penna.
Northern Pacific	7	6.2	10.7	9.0	8.2	7.9	8.7	7.9	7.6	....	112	6.7	Earnings excellent.
M., St. P. & S. S. M. com	7	5.5	8.8	15.7	5.3	11.1	14.7	7.8	8.3	....	126	6.6	Pfd. and com. share above 7%.
Canadian Pacific	10	5.6	8.6	16.0	17.3	19.6	19.6	14.5	11.3	....	177	6.3	Canadian War Tax.
Baltimore & Ohio com...	5	5.6	7.1	8.9	6.9	7.6	7.2	4.5	5.4	....	89	6.0	Record earnings.
Reading com (par $50)..	4	4.1	6.6	8.2	6.9	6.3	11.4	6.7	5.8	....	96	6.0	Holdings in Jersey Central.
Chicago & Northw'n com.	7	5.4	11.4	7.7	8.0	7.1	9.6	7.9	7.7	....	129	5.9	
Illinois Central	5	4.9	7.4	7.1	10.3	3.2	6.0	7.4	6.2	....	104	5.9	Business good.
Del., L. & W. (par $50).	10	4.4	26.4	17.7	15.9	16.6	16.0	14.2	12.9	....	225	5.7	
Louisville & Nashville...	7	5.2	14.3	17.3	14.2	15.9	12.7	9.3	6.8	....	133	5.1	Controlled by Atlantic Coast.
Chicago Gt. Western pfd	1	2.7	....	1.2	1.9	0.4	2.8	2.0	1.9	....	36	5.2	
Atlantic Coast Line com.	5	4.4	9.4	12.0	12.8	12.1	12.0	10.7	8.3	....	113	7.3	Earnings increasing.
Buffalo, Roch. & Pitts...	4	4.2	6.3	7.3	8.0	8.4	10.2	6.0	4.0	....	95	4.2	
Erie 1st pfd...........	0	0	6.1	12.1	11.2	7.0	15.3	1.4	2.2	....	53	4.2	Record earnings.
Southern Railway pfd...	0	0	6.0	9.6	11.1	11.3	11.8	8.1	2.7	....	68	3.9	Earnings increasing.
Kansas City South'n com	0	0	3.4	2.2	2.7	0.2	2.7	2.9	1.0	....	25	3.9	
N. Y., Ont. & Western..	1	3.7	2.3	2.3	2.0	0.8	2.1	1.1	1.0	....	27	3.6	
Chic., Mil. & St. P. com	5	5.1	7.2	8.0	7.1	1.6	8.6	6.3	3.3	....	97	3.3	Record earnings.
N. Y., N. H. & Hartford	0	0	7.4	10.3	7.1	8.5	5.0	0	1.5	....	60	2.5	Earnings improving.
St. Louis Southw'n pfd..	0	0	2.9	4.1	6.1	8.2	9.4	1.7	—1.4	....	43	0	
Seaboard Air Line......	0	0	....	....	7.6	3.7	7.3	6.9	0	....	38	0	

COTTON AND GRAIN

Trading in Wheat

The Several Types of Orders—How Profits Are Computed —Trading Terms

By ARTHUR PRILL

Article 8

EVERY customer receives a list of his open orders each week.

If you wish to rescind an order, repeat it, prefixing the words "Cancel order to"—buy or sell as it happened to be. Your **Cancellation** goes into effect instantly.

A trader should keep accurate record of his transactions and be careful to cancel old open orders which may conflict with new ones.

"At the market" is the best method of giving ordinary orders. To try catching an extra fraction, or even a cent, when you have once made up your mind that the trend is away from present levels, is not only a waste of time, but exposes you to the risk of **Missing Your Market.**

For example:

You see wheat quoted at 81⅝c.; you find world-supplies low, and believe 85 to 90c. will soon be bid, but would like to knock that ⅝ off the purchase figure, and order your broker to buy at 81c.

Now a little dip may bring the price to 81¼c.—quite close to your buying order, yet not allowing it to be filled. Or the rise which you expect may be foreseen by other buyers only thirty seconds later than by yourself—wheat then goes straight up, reaches the 85c. level which you confidently foresaw, passes the 90c. mark—but you have nothing, because your buying limit, 81c., was never touched.

Order to Close.—To close a trade is to order a sale equal to a previous purchase, or to order a purchase equal to a previous sale. The first trade is thereby evened out, and the profit or loss between the price levels of the two trades is placed to your account.

It is good practice to place the words "to close" on all such orders; this will prevent possible mistakes of a type which might prove costly. Few traders possess an infallible memory; they sometimes think they have a commitment on their account which in reality has already been filled or cancelled or perhaps was never placed. If under such circumstances your broker see the words "to close," he looks up your account, but finds nothing of equal amount to close out. He then notifies you, and the misunderstanding is ironed out. Otherwise you might think you have closed a trade and give it no further thought, when in reality you have opened a new trade which needs watching or immediate action. An order "to close," not otherwise marked, is always considered an "open order"; that is, it will be kept on the books until filled.

You are advised to keep in touch with an adequate news service, not merely because that is the news service which deserves your business, but because unless you are a grain specialist and devote sufficient time and capital to news gathering, you cannot possibly know the facts as well as such an organization. Then, anyone who made use of that service and did know the facts better than yourself, would have a big trading advantage over you. When you have learned the situation you can devote your Wheat-Time to the market itself and balance your judgment of future developments with your individual temperament and capital.

"Close Out My Account" is the order you give when you wish to stop trading, for the time being at least. Your broker immediately "closes" all trades on your account; that is, he sells your "long" commitments and buys in your "short" sales. A few minutes later you can draw your balance in cash.

All orders may be changed at any time. A good broker's service meets every emergency, no matter how complicated. Switch as often as you like.

It is well to start with a clean slate every once in a while. Especially if you are trading in provisions and stocks, as well as wheat, the variety of your old open orders may tax your memory and open orders are not cancelled until you give instructions to that effect to your broker. Just say: "Cancel all orders standing on my account." Then meet present conditions with new "buy" or "sell" instructions.

Resting Orders

Resting Orders are instructions to trade at figures away from the current level: with them you can take advantage of coming movements without your being present in a brokerage office, and even without closely watching quotations. If May wheat is offered at 90c., and you think that it will probably reach a lower level in a few days, you can place a Resting Order to buy 10,000 bushels at 88c. a bushel. You can now go on a hunting trip, if you like, cutting all communications with your broker, and if the price goes as low as 88c., you are certain to get that 10,000 bushels.

Should you be "Long" and hold wheat which you wish to unload at 92c., you place the Resting Order to sell at that figure. Even when you are watching the market as closely as is possible for the average business man (not professional grain dealer or trader), the Resting Order is the only means by which full advantage can be taken of breaks and bulges. Such levels are momentary and the distant trader must have his order in the broker's hands ahead of the event, because the climax of a movement or a temporary change of trend cannot be forecast by anyone.

When so placed as to take a possible future profit, a Resting Order becomes a Closing Order. For example, the price of wheat being $1.00, you may judge that a small decline is probable, but that the fundamental position warrants a subsequent rise of at least 3 points. You can then send your broker a Resting Order to "Buy 5,000 bu. July wheat at 99, close at $1.02." This gives you certainty of catching the 3-point profit, if it eventualizes.

Instead of waiting for a decline, you may wish to buy "at the market" and to take advantage of any further strength, after you have taken your first profit. Then your order could read as follows: "Buy 5,000 bu. July wheat, take two-cent profit, and repeat if market warrants."

This is not a **Discretionary Order.** The latter is a type of transaction not accepted by the best firms, and may be defined as one by which a man leaves the making of a trade in the hands of his broker, the latter to act entirely according to his opinion. A high-class commission house does not care for this responsibility.

It is, however, not only legitimate, but essential to the success of a careful trader, distant from his market, that he can so place his orders as to take advantage of future movements whose probability he foresees. Hence you are fully justified in ordering your broker to "buy if the market looks strong tomorrow," or "sell if the tone is weak," and "repeat if conditions remain the same." In the news of the day and in official price movements you have a certain check on the carrying of your orders.

Keep just ahead of the crowd by placing your Resting Order an eighth or a quarter in advance of ordinary trading levels. For example, when wheat has had a long rise and is moving through $1.17, everyone's thought turns to $1.20 as a possible limit to the movement and a good point at which to take profits. Put your Resting Order to "close at $1.19¾," so that although the volume of sales at $1.20

may force prices down more quickly than all the orders at that level can be filled, you, by apparently sacrificing a quarter of a point, which, however, was never really obtainable, have your profit safe.

You can also sell short by using Resting Orders, but it is rarely advisable to go short if you cannot watch the trade, unless you protect yourself with a **Stop Loss Order.** That is one of the most important safeguards for the average trader and consists of placing a Resting Order—to Sell, just below your purchase price, or—to Buy close to, but above the level at which you sold short. Thus, if you bought 5,000 bushels of May wheat at $1.00, expecting a rise, you might place a Stop Loss Order to sell at 99¼—this would prevent the market from going more than ¾ of a cent against you (as far as your account is concerned), if your expectation of an upturn proved incorrect. If you judge a downward movement at hand and sell short at $1.00, the Stop Loss Order may be placed at $1.00¾, and in case of a rise your loss is stopped at the latter figure.

Never go beyond reach of your broker's telephone without protecting all trades by Stop Loss Orders. These are always considered "Open"; that is, good till filled or canceled.

A **Point** in the wheat market is one cent, as the difference between wheat at $1.00 a bushel and at $1.01 a bushel. Each point of price movement implies a profit or loss of $10 per 1,000 bushels of wheat.

When prices are moving swiftly up or down, and you already have one or two points' profit, the most satisfactory position for your Stop is about two cents from the market price. During such active trading, intermediate small swings of about a cent are frequent, and a Stop ¾c. away would result in your trade's being closed out too soon; a return to the main price direction might then show a profit on your original trade, but you would no longer be aboard; hence the necessity for more leeway—two points.

(*To be Continued.*)

Cotton Supply Situation

By C. T. REVERE

As a general proposition when a market movement has been built up on erroneous conclusions regarding fundamental factors, the penalty for misconception or misrepresentation has to be paid. These unwelcome readjustments have seldom been escaped in cotton, and the penalties frequently have been mercilessly meted out.

It will be interesting to note, therefore, whether the usual retribution awaits the bulls who evidently have been entirely wrong in their prognostications regarding the consumptive demand as well as the amount of cotton that will be carried over into the new season.

A trifling miscalculation would be unimportant, but the claims that the visible supply would be down to the basis of half a million bales, and that the amount of cotton held by the South would be practically exhausted, are too wide of the mark to be ignored. Bullish feeling in cotton has been predicated—first on a termination of the war before another crop is marketed; second, such heavy reduction through consumption of old crop supplies that the cotton trade of the world would be virtually dependent upon the new season's production; third, that another big crop, say in excess of 13,500,000 bales exclusive of linters, would be impossible owing to the moderate acreage increase, the late start of the crop, and the heavy reduction in

the use of fertilizer in the South.

So far as the length of the war is concerned, no one in America probably is in a position to judge of its duration. A reasonable guess would be that the markets will be treated to the usual crop of rumors regarding peace negotiations, which will be dissipated into thin air dozens of times before any actual move toward a cessation of hostilities takes place.

So far as the exhaustion of supplies is concerned, the figures which will make their appearance at the end of the crop year on August 1 are likely to be about as follows: Visible supply, 1,900,000 to 2,000,000 bales; American mill stocks, 1,750,000 bales and an indicated amount of about 1,200,000 bales unmarketed in the South. It is impossible to obtain any accurate idea of the size of European mill stocks, and any statistical calculations which attempt to estimate these supplies are open to criticism. The amount of cotton in the visible supply, unmarketed in the South and in American mill stocks, will be approximately 4,900,000 bales against 6,200,000 bales last year.

In spite of the large consumption by American mills, the total carry over will be considerably in excess of bullish predictions made even a few weeks ago. With the end of July the official figures will be published and all irresponsible forecasts will have been discredited. The bears believe that with actualities confirming their view of the statistical position the bulls will lose confidence, particularly if the large surplus to be carried over should receive further emphasis from a fine crop promise.

At this writing nothing definite can be stated regarding the size of the new crop. The government figures published on July 1 showed an indication of 14,266,000 bales exclusive of linters. This would be approximately 3,000,000 bales in excess of last year. It sounds strange, therefore, to hear predictions that the new crop will prove to be smaller than it was last year. The chief complaints appear to come from Alabama, where the acreage showed a trifling increase and even this gain probably has been lost as a result of land abandoned owing to overflows in the last two weeks.

The season thus far has been characterized by more than the usual amount of moisture, which lays the basis for damage by boll weevils. For quite a number of years the cotton trade has attached very little importance to complaints of weevil damage, owing to the fact that farmers have been taught how to avoid the pest and nature has aided man in the struggle against the insect. The weevil this year is in new territory where the percentage of humidity is higher than in Texas and other portions of the Southwest. It probably would be taking too much for granted to assume that weevil damage will be as negligible as it has been in the past.

The statistics for the present year are likely to show some very startling changes in respect to spinners' takings during the war period. The United States will show an increase in mill takings of about 17 per cent. for the two years of the war compared with the two years prior to the war. Canada and Mexico will show a gain of 36 per cent. during the same period compared with the ante-war period. Japan and China will show an increase of about 32 per cent.

There has been a sharp realignment in Europe, with Great Britain showing a net decrease of about 2 per cent. for the two years compared with the two years before the war. When it comes to continental Europe, it is necessary to eliminate Germany and Austria, as no reliable figures can be obtained. The figures for the rest of Continental Europe, however, are astounding. Italy, France, Spain, the Netherlands, the Scandinavian countries and Russia in the face of the war have actually taken 21 per cent. more cotton than they took in the two years prior to the war, the increase amounting to 1,037,000 bales. This not only represents a gain over the two years before the war, but makes a new record in the textile history of these countries.

Another surprise in consumption has been furnished by Great Britain's ex-

ports of yarns and cloths during June, which were larger than they were in June last year, and even larger than they were in the same period in 1914 before there was any hint of war. Considering the fact that Great Britain has approximately 5,000,000 men under arms, the showing of her highly organized textile industry under such conditions furnishes astounding testimony of the efficiency which the United Kingdom has achieved under the spur of war conditions.

Sentiment on the cotton market is fairly well divided, although the bears as usual contend that everybody is bullish, and the bulls assert that everybody is bearish. The outlook is for a market with uncertain swings until the new crop outlook is more clearly defined. Under the influence of a crop scare a sharp advance would be indicated, but it probably will require indubitable proof of a large production as well as the weight of the new crop to bring about a decidedly lower range of values. Conservative bears are holding aloof for the present with the idea of becoming more aggressive when speculative sales can receive some assistance from the weight of the early autumn movement.

World Wheat Crop Shrinkage Large

By P. S. KRECKER

THERE no longer is any doubt that the world's supply of wheat for the current crop year will be smaller than it was last year when record crops were harvested not only in the United States but in Canada and also in old world countries. Just how much smaller the supply will be is an open question because of the unavailability of accurate data and the uncertainties of the weather which will play a large part in determining the final outcome. There is reason, however, to believe that the shrinkage in world crops this year *will approximate* 16 *per cent.* and that supplies of wheat for the period, including carry-over from last season, will *be nearly three-quarters of a billion bushels smaller* than they were for the twelve months ended July 1.

The figures on which this compilation is made are gathered from various sources, the most reliable available. The basis of comparisons is the figures on last year's harvests compiled by the U. S. Bureau of Crop Estimates. Acreage and crop estimates for the new season have been difficult and in some cases impossible to get, except in the case of the United States.

In the first table are given acreages planted to wheat this year as far as known. The table is far from complete because of absence of data, but is of value as indicating what is going on.

ACREAGES FOR 1916.

United States	55,107,000	8 p.c. dec.
Canada	10,659,000	15 p.c. dec.
Russia	65,994,000	10 p.c. dec.
Argentine	16,900,000	10 p.c. inc.
Italy	11,680,000	6 p.c. dec.
Australia	....	25 p.c. dec.
Spain	....	....
India	30,227,000	7 p.c. dec.
France	12,900,000	9 p.c. dec.
Roumania	4,766,000	1.3 p.c. inc.
Japan	1,117,000	5 p.c. dec.
Germany	....	....
Austria	....	....
Bulgaria	....	....
Turkey	....	....
United Kingdom	2,335,000	....

Unsatisfactory as this tabulation is, it is sufficient to justify assertions that acreage reductions range from 10 to 15 per cent. pretty nearly all over the wheat yielding world. In regard to prospective yields (for it must be remembered that this is a forecast) more specific information is at hand because, in various cases where no estimates on acreage reductions have been made, forecasts of yields of wheat have been attempted. These are taken for what they are worth. The writer believes that they are reliable in most instances.

In the second table are given the yields of wheat of the producing countries of the world last season and the estimated yields of the new crop year, together with the indicated gains or losses.

	1915 Yield bus.	1916 Est'd bus.	Change
Western Hemisphere			
United States	1,011,505,000	759,000,000	25 p.c. dec.
Canada	376,303,000	250,000,000	30 p.c. dec.
Argentine	178,221,000	179,911,000	2 p.c. inc.
Other countries	26,419,000	26,419,000	
Totals	1,592,448,000	1,215,330,000	
Europe			
Russia	761,612,000	724,900,000	5 p.c. dec.
Austria-Hungary	230,934,000	150,000,000	35 p.c. dec.
Germany	160,000,000	104,000,000	35 p.c. dec.
France	258,102,000	232,200,000	10 p.c. dec.
Spain	139,298,000	151,298,000	10 p.c. inc.
United Kingdom	76,358,000	75,000,000	
Italy	170,541,000	192,000,000	30 p.c. inc.
Bulgaria	46,212,000	31,000,000	35 p.c. dec.
Roumania	89,241,000	80,256,000	10 p.c. dec.
All Turkey	53,000,000	37,000,000	35 p.c. dec.
Other countries	58,169,000	44,658,000	23 p.c. dec.
Totals	2,046,466,000	1,822,312,000	
Africa			
All countries	90,859,000	83,000,000	8 p.c. dec.
Asia			
India	383,376,000	316,000,000	17.5 p.c. dec.
Japan	23,669,000	22,340,000	5 p.c. dec.
Other countries	18,000,000	18,000,000	
Totals	425,045,000	356,340,000	
Australasia			
Australia	120,000,000	92,000,000	20 p.c. dec.
Others	6,854,000	6,854,000	
Totals	126,854,000	98,854,000	
	1915	1916	
Grand Total	4,281,672,000	3,575,836,000 Bushels	

Or a decrease of approximately 16 per cent. in prospective world's supply.

These computations indicate a shrinkage of 705,836,000 bushels in the world's wheat crop this season. This compares with a shrinkage of 72,000,000 quarters, or 576,000,000 bushels, estimated by the Algemeen Handelsblad of Amsterdam. The difference in the totals amounts to the almost negligible quantity of 129,000,000 bushels. This is an interesting coincidence, inasmuch as the writer had no knowledge of the basis of the foreign authority's compilations and as far as aware used none of his figures except the percentages of decrease allotted to the Teutonic countries.

According to the Chicago Daily Trade Bulletin world's carry-over of wheat from last season on July 1 amounted to 280,461,000 bushels compared with 118,046,000 bushels carry-over the previous season. Assuming that these figures are correct we have the following comparison:

Carry-over 1915	118,046,000 bus.
1915 crop	4,281,672,000 "
Total 1915 supply	4,399,718,000 bus.
Carry-over 1916	280,461,000 bus.
Crop estimated	3,575,836,000 "
Indicated supply	3,856,297,000 bus.

There is here a prospective shrinkage of total world's supplies, including carry-over of 543,521,000 bushels, in spite of the enormous carry-over of wheat this summer. The inference to be drawn from these figures should be obvious.

THREE WEEKS LEFT TO WIN THE $25 PRIZE!

(Open to all)

How Has THE MAGAZINE OF WALL STREET Helped You To Make Money?

On August 15 our PRIZE CONTEST offer of $25 for the best letter from a reader telling how THE MAGAZINE OF WALL STREET has helped him to make money, will close.

DON'T PUT OFF YOUR LETTER, BUT WRITE IT NOW

TERMS OF THE CONTEST

In order that no injustice may be done to those readers of THE MAGAZINE OF WALL STREET who are not subscribers, we have decided to make this contest *open to all,* without any restrictions. Anyone, therefore, except one connected with the MAGAZINE, is eligible to compete.

The time of competition extends to August 15 next. Letter received up to 6 P. M. on that date will receive consideration.

In determining which is the best letter, the Contest Editor will base his decision on

(1) Excellence of the idea obtained from the pages of THE MAGAZINE OF WALL STREET.

(2) Originality and ingenuity displayed in converting the suggestion into profits.

(3) General style and literary excellence of the contribution.

Letters should be between 500 and 1,000 words in length and should be *specific,* that is, they should not deal in generalities but should tell exactly what the writer did in making his idea pay.

Don't attempt "fine writing," i. e., high-flown or involved English, but express yourself as directly and forcefully as you can.

The second best letter will be rewarded by a two years' subscription to THE MAGAZINE OF WALL STREET and the third best by a one year's subscription.

Meritorious letters will be published from time to time, but the identity of the writers will be carefully guarded in all cases, if the writers so direct.

In addition to winning the prizes, the successful contestants will have the satisfaction of conferring an obligation upon their fellow readers by pointing out how the columns of this publication have been of material benefit to those of quick perceptions and the courage to act. Communications should be addressed to

CONTEST EDITOR
THE MAGAZINE OF WALL STREET

42 Broadway, New York City

Wall Street Jottings

What's the Matter with the Market?

Under the title of "What's the Matter with the Market?" Messrs. Noyes, Merriman & Company, 27 William Street, New York, have prepared a special circular diagnosing market conditions at present. It will be sent free on request for Letter B2.

The Investor's Review

The Investors' Review, published by William S. Dugan & Company, 44 Broad St., New York City, contains many interesting and valuable articles in its current number. Among the subjects discussed are Puts and Calls, Midvale Steel, White Motors, Phonograph stocks, War stocks passing, and England's Borrowing Power. The article on Puts and Calls is particularly interesting as it shows how insurance against loss from speculation may be obtained by their use. Copy will be sent free, while they last, only upon mention of the MAGAZINE OF WALL STREET.

Puts and Calls

Wm. H. Herbst, 20 Broad St., New York City, is distributing a new booklet on the use of Puts and Calls. The booklet contains illustrations of the various ways in which Puts and Calls may be used in market operations as well as samples of individual privileges. Copies will be sent free upon mention of the MAGAZINE OF WALL STREET.

Public Utility Bonds

Messrs. Harris, Forbes & Co., Pine and William streets, New York City, have issued the 1916 edition of their booklet on Public Utility Bonds. This booklet embodies a comprehensive summary of recent information, regarding 99 public utility bond issues, which are recommended for investment. In sending for this booklet, kindly mention THE MAGAZINE OF WALL STREET.

Cotton Situation

Moyse & Holmes, 26 Beaver street, New York, members of the New York Stock Exchange and New York Cotton Exchange, are distributing a circular in which they review the cotton situation, especially as regards the menace of the boll weevil to the present crop. In writing please mention THE MAGAZINE OF WALL STREET.

Public Utility Securities

Good investments in public utility preferred stocks yielding 5% to 8% together with an outline of the possibility of enhancement in common stocks of public utility companies are given in the current letter MWS of Williams, Troth & Coleman, 60 Wall Street, New York City. In requesting this letter it is also advisable to mention THE MAGAZINE OF WALL STREET.

Investor's Pocket Manual

Slattery & Co., 40 Exchange Place, New York, issue the Investor's Pocket Manual, giving important corporation statistics, which will be sent upon request, including booklet explaining the Twenty Payment Plan. Ask for 22-MW.

Anaconda

Eugene Meyer, Jr., & Co., members of the New York Stock Exchange, 14 Wall Street, New York City, have in preparation a booklet on Anaconda, which describes at length many new and interesting developments in connection with the application of electric power to the company's operations, the improvement in processes and the installation of new metallurgical methods which have brought about a new Anaconda. The booklet describes these subjects very thoroughly, illustrating them with many photographs and describing their bearing on Anaconda's future outlook. The brochure is very elaborate, and the number to be printed is limited. Coplies will be sent free. Readers should mention THE MAGAZINE OF WALL STREET.

New Grain Department.

J. J. Carew & Company, 44 Broad Street, New York, and 47 St. Francis Xavier St., Montreal, announce the opening of a grain department, with direct wires to Chicago. As members of the Chicago Board of Trade they offer unusual facilities for transactions in the central market. Their New York office is organized to serve customers by handling all orders, and with statistical information and advice.

C. C. Perpall & Co.

Clarence C. Perpall & Co., 50 Broad street, New York, members of the Consolidated Stock Exchange and Chicago Board of Trade, are publishing their regular semi-annual letter from Loomis, Suffern & Fernald, who report twice a year on the condition of their firm.

Omar Oil & Gas

Danforth Reeves & Co., 1 Wall Street, New York City, are issuing a circular on Omar Oil & Gas Company, which has just been listed on the New York Curb.

Carroll Felter & Co.

Carroll Felter & Company, 74 Broadway, New York, announce the opening of their Philadelphia office in the Finance Building, South Penn Square. D. W. Ritchey will be in charge.

Arrangements have just been completed for opening offices at 50 Congress Street, Boston. Ernest Mayer will be in charge.

Negotiations are now under way for the establishment of an office at Wilmington, Del.